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GOVERNMENT AND ADMINISTRATION

Prorogation and Opening of Parliament

REVIEW OF THE LAST SESSION

The Queen's speech on the prorogation of Parliament, summarising the work of the session, was delivered to both Houses of Parliament by the Lord Chancellor on 30 October.[1]

The text of the speech (with references to *Survey of Current Affairs* coverage in parentheses) is as follows:

My Lords and Members of the House of Commons,

The Duke of Edinburgh and I recall with great pleasure the joy and affection shown by so many people on the marriage of the The Prince and Princess of Wales (see p 215).

We were pleased to receive the State Visits of Their Majesties the King and Queen of Nepal in November, the President of Nigeria in March and His Majesty the King of Saudi Arabia in June.

We look back with much pleasure on the visits we have made over the past year. We visited Belgium, the Commission of the European Communities, and the headquarters of the North Atlantic Treaty Organisation in November and Norway in May. We have just returned from visits to Australia, New Zealand and Sri Lanka. As Head of the Commonwealth, I was present in Melbourne on the occasion of the Commonwealth Conference (see pp 295-300).

We were greatly saddened by the deaths of President Ziaur Rahman of Bangladesh and President Anwar Sadat of Egypt (see p 302).

My Government welcomed the independence of Belize and its decision to join the Commonwealth (see p 215).

My Government took an active part in the successful Conference on Reconstruction and Development held in Salisbury in March (see pp 92-3).

My Government have worked within the North Atlantic Alliance to strengthen our common defence (see pp 139-41), *have fulfilled their commitment to increase defence spending* (see pp 133-9), *and have announced plans to reshape Britain's defence forces* (see pp 195-7).

My Government took part in consultations within the Alliance in preparation for the negotiations between the United States and the Soviet Union on long-range theatre nuclear forces. They have joined in other arms control and disarmament negotiations, and have strongly supported the proposal for a Conference on Disarmament in Europe (see p 140).

My Government played a constructive role in the search for solutions to the problems in East-West relations. On behalf of the member states of the European Community, they have presented proposals for a conference to enable Afghanistan to resume its independent status (see pp 201-2).

My Government welcomed the accession of Greece to the European Community (see p 13). *On 1 July the United Kingdom assumed the Presidency of the Council of Ministers* (see pp 198-200). *Discussions have begun on the review of Community policies and the budget* (see pp 198-9). *Agreement has been reached in the Community on safeguarding the steel industry. My Government have taken part in discussions on the Common Agricultural Policy and a revised common fisheries policy* (see pp 90-1). *Agreement has been reached on fishery conservation measures and improved marketing arrangements* (see p 302).

My Government continue to seek a negotiated peace in the Arab-Israel conflict on the basis of the statement made at Venice by the heads of State and Government of the Community last year (see pp 167, 289).

The United Kingdom took part in the summit meetings near Ottawa in July (see pp 225-8) *and at Cancun in October* (see pp 329-30).

My Government have continued to participate in efforts to achieve a settlement in Namibia (see pp 142-3, 260-2), *and have supported efforts to solve the problem caused by Vietnam's occupation of Cambodia* (see pp 223-4) . . . .

My Government have continued to give priority in fiscal and monetary policy to securing a substantial and lasting reduction in inflation as a basis for a sustainable growth of output and employment (see p 95). *Substantial net repayments of overseas debt have been made* (see p 114).

Steps have been taken to encourage and assist new and small firms (see pp 76, 101-4, 115-16, 148, 232), *to help improve efficiency in the production of goods and services, and to direct help to those most adversely affected by unemployment* (see pp 228-30).

Plans for a reduction in public expenditure in real terms over the years ahead have been published (see pp 104-10). *Cash planning will improve control of expenditure* (see pp 104-5), *Civil Service manpower has been reduced in pursuit of greater*

[1] *Hansard* (HL), Vol 424, No 143, cols 1196-7.

economy and efficiency (see pp 98, 107, 154, 211).

An Act has been passed to reorganise the Post Office, improve postal services, increase telecommunications competition (see pp 14-16 and 234-5) *and permit wider participation in Cable and Wireless* (see pp 344-5). *Legislation has been passed to enable the British Steel Corporation to withdraw from unprofitable steelmaking, to encourage private sector investment, to ensure fairer competition, and to reconstruct the Corporation's finances* (see pp 74-6).

A levy has been imposed on the British Gas Corporation in respect of certain purchases of gas from the United Kingdom Continental Shelf. Legislation has been enacted to reduce state involvement in the transport industries, to encourage private investment, and to improve road safety (see pp 52-4).

The financial arrangements of the National Enterprise Board, the Scottish and Welsh Development Agencies and the Development Board for Rural Wales have been modified (see pp 18, 50, 76). *Company and insurance law has been amended* (see pp 231-3, 254).

An Act has been passed to amend the industrial training board arrangements (see p 73). *Steps have been taken to develop understanding, especially in schools, of information technology* (see pp 117, 183, 239).

Powers have been taken to set standards for new space and water heating appliances (see p 253). *Interim provision has been made for British activity in deep sea mining* (see pp 40-1).

Legislation has been passed to improve the conservation and marketing of fish and to assist fish farming (see pp 50-2). *A strategy for the continued expansion of forestry has been announced and legislation passed to encourage private investment in land for forestry* (see p 253).

My Government have protected the real value of the retirement pension and other related benefits (see pp 120-2). *Legislation has been passed to facilitate throughout Great Britain the education of children with special needs* (see pp 79-80).

The law on nationality (see pp 320-2) *and the law on criminal attempts* (see pp 31-2) *have been reformed. Disqualification from election to the House of Commons has been extended to certain convicted persons* (see p 194) *and the law on reviews of European Parliament constituencies has been amended.*

The law on contempt of court has been reformed (see pp 87-8). *Legislation has been passed consolidating and improving the law relating to the Supreme Court in England and Wales, and amending the law relating to county courts* (see p 254).

In Northern Ireland the security forces have been vigilant in the impartial maintenance of the rule of law in a situation made difficult by protests in the prisons and associated public disorder (see pp 4-5, 64, 131-2, 160-1, 191-4, 287-8). *Efforts to find ways of involving local people in the administration of the Province have continued* (see p 191).

Changes have been made to the laws affecting local government and education in Scotland.

Measures have been passed to promote and protect the natural environment (see pp 152-3)

. . . .

PROGRAMME FOR THE NEW SESSION

The Queen's speech on the opening of the new session of Parliament – the third session of the forty-eighth Parliament of the United Kingdom – was delivered in the House of Lords on 4 November to members of both Houses.[1]

The text of the speech, which outlines the Government's policies for the coming session, is as follows:

My Lords and Members of the House of Commons,

I look forward with great pleasure to paying a State Visit to Sweden in June and to visiting Australia for the Commonwealth Games, Papua New Guinea, the Solomon Islands, Nauru, Kiribati, Tuvalu and Fiji in October.

My Government regard the security of the nation and the preservation of peace as matters of the first importance. Increased resources will be devoted to defence and the most efficient use made of them. My Government will continue to play an active role within the North Atlantic Alliance.

International efforts to enable Afghanistan to resume her independent and non-aligned status will have my Government's active support. Despite the situation in Afghanistan and Cambodia, my Government will continue to work for better East-West relations, for an early and successful conclusion to the Madrid Meeting on the Helsinki Final Act, and for specific, equitable and verifiable measures of arms control. They welcome the forthcoming negotiations between the United States and the Soviet Union on limiting long-range theatre nuclear forces.

My Government reaffirm their strong commitment to the European Community. During the remainder of the British Presidency, and thereafter as a member state, the United Kingdom will play its full part in its development. My Government are anxious to see satisfactory decisions on restructuring the Community budget and improving the Common Agricultural Policy. They will seek early agreement on a revised common fisheries policy, and will continue to support the accession to the Community of Spain and Portugal.

My Government support the contribution of the member states of the European Community towards a just, lasting and comprehensive settlement of the Arab-Israel dispute and will continue to work with all the parties to the dispute. They support the efforts of the non-aligned movement, the Islamic Conference and the United Nations to bring about a negotiated settlement to the conflict between Iran and Iraq.

Efforts to reach an internationally recognised agreement in Namibia will be continued, in co-operation with our allies.

[1] *Hansard* (HL), Vol 425, No 1, cols 2-3.

My Government attach great importance to the Commonwealth and the United Nations and will continue to play an active part in both organisations. They will join with other countries and responsible international organisations in efforts to resolve the economic difficulties of both developing and developed countries.

My Government will seek to maintain close relations between the United Kingdom and the Republic of Ireland . . . .

My Government attach the utmost importance to maintaining progress in reducing inflation by the pursuit of firm monetary and fiscal policies, to further improving the efficiency of the economy, and to strengthening industry, so as to restore competitiveness abroad and prosperity at home. They hope to see this assisted by further reductions in the level of wage settlements.

Plans for public expenditure will reflect the importance of restricting the claims of the public sector on the nation's resources. My Government share the nation's concern at the growth of unemployment and will continue to direct help to those groups and individuals most hard-pressed by the recession.

A Bill will be introduced on employment and labour relations.

Measures will be introduced to amend the financial arrangements of the National Coal Board and some other public undertakings, and to facilitate private investment in the oil-producing business of the British National Oil Corporation. Measures will also be proposed to facilitate private investment and promote competition in the activities of the British Gas Corporation.

State involvement in transport will be further reduced and the fixed penalty system for road traffic offences improved and extended.

My Government's policies will seek to ensure that all individuals, whatever their race, colour or creed, have equal rights, responsibilities and opportunities.

My Government will continue to devote themselves to the complex problems of Northern Ireland. The search will go on for acceptable ways of enabling the people of Northern Ireland to play a fuller part in its administration. My Government will work for improvements in the security situation.

The requirements of law and order and the services employed to uphold them will continue to enjoy my Government's complete support. Legislation will be introduced to improve the criminal justice system in England and Wales.

Measures will be brought forward to amend the law relating to the assumption of civil jurisdiction by courts in the United Kingdom and for the reciprocal enforcement of judgments in civil and commercial matters.

Legislation will be introduced to establish a scheme of unified housing benefit and to place a duty on employers to provide sick pay during the early weeks of sickness.

A Bill will be brought forward to improve the safeguards for detained patients and to make other reforms in the law on mental health in England and Wales.

Measures will be introduced to implement my Government's conclusions on the report of the Committee of Inquiry into Local Government in Scotland and to provide for a modernised Code of Civic Government in Scotland.

Legislation will be introduced to improve the accountability of local authorities for the level of their rates.

Other measures will be laid before you . . . .

By-election and State of the Parties

Details of the result of a recent by-election and the present state of the parties in the House of Commons are given below.

The Liberal-Social Democratic Alliance (see below) gained the seat at Croydon North West in a parliamentary by-election on 22 October. The seat became vacant following the death in July of the Conservative MP, Mr Robert Taylor. Mr William Pitt, who stood as a Liberal-Social Democratic Alliance candidate, but will sit in the House as a Liberal MP, won by a majority of 3,254 votes. The results were as follows:

W. Pitt (Liberal-Social Democratic Alliance)	13,800
J. Butterfill (Conservative)	10,546
S. Boden (Labour)	8,967

Nine other candidates between them received 1,229 votes; all lost their deposits; 62·3 per cent of the electorate voted.

Mr Pitt is the first parliamentary candidate to be elected as a member of the Liberal-Social Democratic Alliance. The formation of the alliance was formally approved by the Liberal Assembly in September and informally endorsed at the first national conference of the Social Democratic Party in October. The parties sit separately in the House of Commons but have set up arrangements for co-ordinating views on issues that arise before Parliament.

State of the Parties

The state of the parties in the House of Commons is now as follows:

Conservative	334
Labour	245
Social Democratic	23[1]
Liberal	12
Scottish National	2
Plaid Cymru (Welsh Nationalist)	2
Official Unionist (Northern Ireland)	4
Democratic Unionist (Northern Ireland)	3
United Ulster (Northern Ireland)	1
Ulster Progressive Unionist (Northern Ireland)	1
Independent Socialist (Northern Ireland)	1
Anti-H-Block Proxy Prisoner (Northern Ireland)	1
Vacant	2
TOTAL	631

[1]Since July a further eight former Labour MPs have joined the Social Democratic Party.

The vacant seats arise from the death in October of Sir Graham Page, Conservative MP for Crosby, and of the Reverend Robert Bradford, Official Unionist MP for Belfast South, who was killed in his constituency on 14 November. Responsibility for the murder has been admitted by the Provisional IRA.

The four remaining seats are held by the Speaker of the House of Commons and his three deputies (the Chairman of Ways and Means and the first and second Deputy Chairmen of Ways and Means) who do not vote except in their official capacity in the event of a tie. The Government majority over all other parties is 39.

UK-Irish Talks

The establishment of an Anglo-Irish Intergovernmental Council to give expression to the 'unique character of the relationship' between the United Kingdom and the Irish Republic was agreed at talks held in London on 6 November between the Prime Minister, Mrs Margaret Thatcher, and the Taoiseach of the Irish Republic, Dr Garret FitzGerald. The Council will meet regularly at ministerial and official levels to discuss matters of common concern. Co-operation between the security forces in Northern Ireland and in the Irish Republic and further economic co-operation were among other matters discussed. The Prime Minister and the Taoiseach received a report on the joint studies commissioned last December at the meeting between Mrs Thatcher and the former Taoiseach, Mr Charles Haughey.

The meeting was the first between the Prime Minister and the Taoiseach since Dr FitzGerald took office. Mrs Thatcher was accompanied by the Secretary of State for Foreign and Commonwealth Affairs, Lord Carrington, the Secretary of State for Northern Ireland, Mr James Prior, and the Secretary of State for Industry, Mr Nigel Lawson. Accompanying the Taoiseach were the Tanaiste (Deputy Prime Minister) and Minister for Industry and Energy, Mr Michael O'Leary, and the Minister for Foreign Affairs, Senator James Dooge.

Communiqué

The communiqué issued after the meeting said that the Prime Minister and the Taoiseach had discussed a number of international questions and a range of issues arising in the European Community which were to be considered at the European Council in London at the end of November. They affirmed the importance which their two Governments attached to the maintenance and development of close Anglo-Irish relations.

The text of the rest of the communiqué was as follows:

1 *The Prime Minister and the Taoiseach agreed on the need for efforts to diminish the divisions between the two sections of the community in Northern Ireland and to reconcile the two major traditions that exist in the two parts of Ireland. Such a development could come about only on the basis of mutual respect as between those traditions, to the achievement of which the Taoiseach has made a public commitment.*

2 *The Taoiseach affirmed that it was the wish of the Irish Government and, he believed, of the great majority of the people of the island of Ireland to secure the unity of Ireland by agreement and in peace. The Prime Minister affirmed, and the Taoiseach agreed, that any change in the constitutional status of Northern Ireland would require the consent of a majority of the people of Northern Ireland. The Prime Minister said that, if that consent were to be expressed as a result of a poll conducted in accordance with the Northern Ireland Constitution Act 1973, the British Government would of course accept their decision, and would support legislation in the British Parliament to give effect to it. The Prime Minister and the Taoiseach agreed that both Governments were ready to join in promoting arrangements which might help to reduce tensions between and to reconcile the peoples of the two parts of Ireland.*

3 *The Prime Minister and the Taoiseach reiterated their resolute opposition to violence, and commended the level of co-operation between the security forces of the two countries. They noted with approval the efforts now being made under the criminal law jurisdiction legislation to ensure that those who committed crimes in one country should not be able to escape prosecution and conviction by seeking refuge in the other, and invited the British and Irish Attorneys General to consider what further improvements to that end might be possible.*

4 *The Prime Minister and the Taoiseach received a joint report on studies made by officials from both countries of possible new institutional structures, citizenship rights, economic co-operation and measures to encourage mutual understanding.*

5 *Recognising the unique character of the relationship between the two countries, the Prime Minister and the Taoiseach have decided to establish an Anglo-Irish Intergovernmental Council through which institutional expression can be given to that relationship between the two Governments. This will involve regular meetings between the two Governments at ministerial and official levels to discuss matters of common concern. The Prime Minister and the Taoiseach agreed that it would be for the Parliaments concerned to consider at an appropriate time whether there should be an Anglo-Irish body at parliamentary level comprising members to be drawn from the British and Irish Parliaments, the European Parliament and any elected assembly that may be established for Northern Ireland. They also agreed to work towards the establishment of an advisory committee associated with the Anglo-Irish Intergovernmental Council on economic, social and cultural co-operation, with a wide membership.*

6 *The Prime Minister and the Taoiseach noted that each country afforded the other's citizens most of the rights and privileges available to its*

own. The Taoiseach indicated that the arrangements for the grant of voting rights at parliamentary elections to British citizens resident in the Republic were well advanced and that he hoped to have the necessary legislation introduced soon.

7 *The Prime Minister and the Taoiseach agreed on the need to intensify economic co-operation between the two countries and between the two parts of Ireland. They expressed the hope that such co-operation would make a contribution towards the improvement of the economy throughout the two countries and that the practice of economic co-operation would, in itself, generate further co-operation. They gave special consideration to the question of co-operation on energy matters. They noted that assessments of the possibility of the supply of natural gas from the Kinsale Field to Northern Ireland had suggested that such a project might be viable, and that discussions of the terms on which gas might be supplied were now in train. They agreed on the desirability of restoring electricity inter-connection between the two parts of Ireland. They also agreed that economic and technical studies should be pursued on the possibility of an electricity link across the Irish Sea.*

8 *The Prime Minister and the Taoiseach looked forward to holding their next meeting in the spring of next year in Dublin in the framework of the new institutional arrangements agreed upon at this meeting.*

Anglo-Irish Joint Studies

A report on the joint studies commissioned at a meeting in Dublin in December 1980 between the Prime Minister and the then Taoiseach (see pp 356-7, 1980) was published as an annexe to the communiqué. It outlined the discussions that had taken place between officials of the two Governments on possible new institutional structures, citizenship rights, economic co-operation, and measures to encourage mutual understanding; the outcome of talks on security matters was not published. The report is summarised below.[1]

Possible New Institutional Structures

Officials noted, said the report, that the unique relationship between the United Kingdom and the Irish Republic was the result of geography, history and population movements. The studies showed that there was a variety of contacts between the two countries and confirmed that in many fields relations and co-operation were closer and more extensive than between other countries in Europe. Ways of giving institutional expression to this relationship were examined, including the establishment of an Anglo-Irish Intergovernmental Council, the development of parliamentary links between the two countries and the creation of an advisory committee on economic, social and cultural co-operation.

Citizenship Rights

The rights of citizens of each country residing in the jurisdiction of the other were reviewed. These included eligibility to vote and stand for elective offices, employment in the civil and armed services, legal rights and obligations, social rights, consular protection and freedom of movement. It was noted that, in the absence of a written constitution in the United Kingdom, the various rights and obligations were defined by specific Acts of Parliament while the role of the courts was to interpret legislation. in the Irish Republic, by contrast, there was both legislation and a written constitution guaranteeing fundamental human rights. Furthermore, each country maintained provisions which antedated the requirements of European Community membership and afforded in different ways privileged treatment to the citizens of the other. Each accorded the other's citizens almost all the rights and privileges available to its own. A number of differences were identified, however, notably in respect of the control of movement of non-citizens and of the qualifications for local elections in Northern Ireland compared with Great Britain.

The decision of the Irish authorities to extend voting rights in national elections to resident British citizens was noted.

Economic Co-operation

A wide range of existing and potential areas of economic and technical co-operation, both bilateral and in the context of the two countries' common membership of the European Community, was considered. Subjects included: future co-operation on energy; the exchange of information on pollution of the Irish Sea; broadcasting of television and radio programmes to the home from a satellite; co-operation in animal and plant health; economic development of Lough Foyle, Carlingford Lough and nearby offshore waters; industrial developments, especially of small industries; trade promotion; industrial training; tourism; economic development of border areas; and science and technology.

Measures to Encourage Mutual Understanding

Officials analysed the reasons for misconceptions in each country over attitudes and government policies in the other and considered how mutual understanding might be improved. It was recognised that, between the United Kingdom and the Republic, the problem seemed to be based on lack of knowledge rather than misconception. Between the North and South the problems went deeper, and the relevant issues were the constitutional 'claim' and the 'guarantee' [that Northern Ireland will not cease to be part of the United Kingdom without the consent of the majority of its people], and church/state relationships. Action to reduce misunderstandings on these matters would be needed, together with institutional arrangements deliberately framed to reduce suspicion and distrust. Measures were also required to make more effective the prosecution of offenders who sought to evade justice by crossing from one side of the border to the other. Greatly increased contacts and joint endeavours in appropriate fields, as well as intensified information exchanges, might offer some hope of progress.

[1] A fuller report was published on 11 November as *The Anglo-Irish Joint Studies: Joint Report and Studies*. Cmnd 8414. HMSO. £3·05. ISBN 0 10 184140 X.

It was noted that many contacts already existed and that it was desirable that these should continue and be developed. The range of possibilities included: increased contacts in youth and sport activities and further co-operation between sporting organisations in the North and the South; the development of the already considerable contacts between vocational and community relations groups in both parts of Ireland; increased education exchanges and greater use by students from the South of educational facilities in the North; co-operation between the Open University and the proposed distant study unit of the National Institute for Higher Education in Dublin; a formal scheme for the interchange of officials; closer contacts between the Arts Councils in the North and South and between these councils and the Arts Council of Great Britain.

British Nationality Act

The British Nationality Act, which will establish three separate citizenships to replace the present citizenship of the United Kingdom and Colonies, received the Royal Assent on 30 October. Because of the administrative preparations required it will not come into force for some months. During the passage of the Bill through Parliament a number of important amendments were made to the original proposals (see pp 27-9) affecting, among other things, the citizenship of children born in the United Kingdom whose parents are not British citizens; the citizenship of children born abroad to British citizens by descent; and the entitlement to British citizenship by persons from Gibraltar.

The main provisions of the Act are summarised below.

Three Citizenships

The Act replaces the present citizenship of the United Kingdom and Colonies by three separate citizenships:

British citizenship for people closely connected with the United Kingdom, the Channel Islands and the Isle of Man;

British Dependent Territories' citizenship for people connected with the dependencies; and

British Overseas citizenship for those citizens of the United Kingdom and Colonies who do not acquire either of the other citizenships when the Act comes into force.

The Act provides for the acquisition and renunciation of these citizenships, and makes amendments to the Immigration Act 1971 so as to define the right of abode in terms of the new British citizenship.

British Citizenship

All citizens of the United Kingdom and Colonies who have the right of abode in the United Kingdom will acquire British citizenship automatically when the Act comes into force, with the exception of those mentioned in the footnote below.[1] [Such persons are: (1) those who have the right of abode through their birth, adoption, naturalisation or registration in the United Kingdom; (2) those who have the right of abode by reason of having a parent or grandparent born, adopted, naturalised or registered in the United Kingdom; (3) those who have been married to a man who becomes, or would but for his death have become, a British citizen; and (4) those who have come from overseas and who have acquired the right of abode through being lawfully settled in the United Kingdom.]

Acquisition by Birth

A child born in the United Kingdom after the Act comes into force will be a British citizen automatically at birth if either his father or his mother is a British citizen or is settled there. A child adopted by a British citizen by court order made in the United Kingdom will be a British citizen, as will a foundling. A child born in the United Kingdom who does not acquire British citizenship at birth will have an entitlement to be registered as a British citizen if either parent later becomes a British citizen or becomes settled. The child will also have an entitlement to registration if he spends the first 10 years of his life there.

Acquisition by Descent

A child born abroad after the Act comes into force will be a British citizen by descent if either his father or his mother is a British citizen otherwise than by descent, for example, if he or she was born, adopted, or naturalised in the United Kingdom or was registered on the basis of previous residence in the United Kingdom. A child born abroad to a British citizen by descent will be entitled to be registered as a British citizen by descent if application is made within 12 months of the birth and the parent is (a) born to a British citizen born, adopted, naturalised or (generally speaking) registered in the United Kingdom, and (b) has spent three years in the United Kingdom at any time prior to the birth (this requirement does not apply if the child is stateless). In addition, male British citizens by descent who are married and resident in foreign countries when the Act comes into force will be able to have their children born in a foreign country within five years after the Act comes into force registered as British citizens by descent, provided there is a specified parental or grandparental link with the United Kingdom. Application must be made within 12 months of the birth.

A child born overseas to a British citizen by descent who is not registered as such a citizen himself within 12 months of his birth would have an entitlement to registration if he subsequently

[1] A stateless person who has been registered as a citizen of the United Kingdom and Colonies by virtue of his mother's citizenship of the United Kingdom and Colonies will acquire whichever of the three new citizenships his mother does. Thus those persons who have the right of abode only through their registration but whose mothers become British Dependent Territories' citizens or British Overseas citizens will not become British citizens.

came to the United Kingdom and lived there with both his parents for three years. If registered, the child would be a British citizen otherwise than by descent.

A child born abroad to a British citizen who is in Crown Service, the service of a European Community institution, or other service designated as closely related to Crown Service, will be a British citizen whether or not the parent was born in the United Kingdom, and the child will be able to transmit citizenship to his or her own children on the same terms as a British citizen born in the United Kingdom.

Acquisition by Naturalisation or Registration

British Dependent Territories' citizens, British Overseas citizens, British subjects under the Act (see below) and British protected persons who have settled or become settled in the United Kingdom will be entitled to be registered as British citizens after five years' residence. British Dependent Territories' citizens from Gibraltar will have an absolute right to be registered as British citizens without the need to be resident in the United Kingdom. Certificates of naturalisation may be granted, at the Home Secretary's discretion, to other Commonwealth citizens and foreign nationals. The qualifications for naturalisation are very similar to those at present. The husband or wife of a British citizen will be able to apply after three years' residence in the United Kingdom instead of the normal five. He or she will be required to meet the requirement to be of good character but not the requirement to have a sufficient knowledge of English or Welsh or Scottish Gaelic. The Home Secretary also has discretion to register any minor child as a British citizen.

Preserved Entitlements to Registration

Commonwealth citizens settled in the United Kingdom before 1973 will continue to have a right to be registered for five years after the Act comes into force (or eight years in special cases). In the case of minors the right to registration continues for five years after they reach the age of 18. Commonwealth citizens with the right of abode who are settled in the United Kingdom when the Act comes into force will also continue to have a right to registration for a limited period when they have been there for five years. Women who, when the Act comes into force, are married to citizens of the United Kingdom and Colonies who become British citizens will have their entitlement to registration preserved for five years provided their marriage subsists. Where the marriage has ceased, registration is at the Home Secretary's discretion.

Renunciation and Resumption

Provision is made for British citizens to renounce their British citizenship, and to resume it subsequently; and for certain persons who have renounced their present citizenship of the United Kingdom and Colonies to be able to be registered as British citizens.

British Dependent Territories' Citizenship

The provisions of the Act dealing with the acquisition and renunciation of British Dependent Territories' citizenship follow a similar pattern to those for the acquisition and renunciation of British citizenship. British Dependent Territories' citizens who settle in the United Kingdom will be entitled to registration as British citizens after they have spent five years in the United Kingdom.

British Overseas Citizenship

This citizenship is essentially transitional in its nature and will be acquired when the Act comes into force by any citizen of the United Kingdom and Colonies who does not become either a British citizen or a British Dependent Territories' citizen. British Overseas citizenship cannot normally be transmitted automatically to children born after the Act comes into force. There are provisions for a minor child to be registered at discretion as a British Overseas citizen. The wife of a citizen of the United Kingdom and Colonies who becomes a British Overseas citizen will have her entitlement to acquire her husband's citizenship preserved for five years provided the marriage has not ceased. In that event her registration is at the discretion of the Secretary of State. There is provision for British Overseas citizens to renounce this status.

British Subjects and British Protected Persons

The use of the term 'British subject' as a common description of all Commonwealth citizens will cease and the term 'Commonwealth citizen' alone will be used in future. But the present scope of the meaning of the term 'British subject' as used in legislation passed before the Act comes into force (for example, that dealing with the right to vote) is preserved. British subjects without citizenship, and British subjects who had that status by reason of a connection with the Irish Republic before 1949 and who have since claimed their right to remain British subjects under section 2 of the British Nationality Act 1948, will continue to be known as British subjects. Those citizens of the Irish Republic who were British subjects before 1949 will continue to be able to make the claim that they have remained British subjects. The Home Secretary will have the discretion to register any minor child as a British subject, and the foreign wife of a British subject will continue to be entitled to registration as a British subject for five years after the Act comes into force provided her marriage subsists. There is provision for renunciation of British subject status, and a former British subject without citizenship will automatically lose that status on acquiring any other citizenship or nationality.

The status of British protected persons is continued by the Act. British protected persons and British subjects who settle in the United Kingdom will be entitled to registration as British citizens after they have spent five years there.

General Points

No one who is now a citizen of the United Kingdom and Colonies will be left without a citizenship, and the Act contains provisions which more than comply with the United Kingdom's

obligations under the United Nations Convention on the Reduction of Statelessness.

The Act will not adversely affect the position under the immigration law of anyone who is lawfully settled in the United Kingdom. The special voucher scheme under which certain United Kingdom passport holders, originally from East Africa, may be admitted to the United Kingdom for settlement, will continue.

The Act provides that where the Home Secretary is required to exercise his discretion, he shall do so without regard to the race, colour or religion of the person concerned.

Women will transmit citizenship on equal terms with men to their children born abroad after the Act comes into force. Minor children born abroad before that date to women born in the United Kingdom will continue to be able to be registered as British citizens under the Home Secretary's general discretion to register minor children.

There is no general restriction on dual nationality in the Act.

Recent Legislation

The public Acts of Parliament passed in October before the end of the parliamentary session are listed below.[1]

Acquisition of Land Act 1981. Consolidates the Acquisition of Land (Authorisation Procedure) Act 1946 and related enactments. Royal Assent: 30.10.81. Ch 67, ISBN 0 10 546781 2, HMSO, £3·80.

Betting and Gaming Duties Act 1981. Consolidates certain enactments concerning excise duties relating to betting and gaming. Royal Assent: 30.10.81. Ch 63, ISBN 0 10 546381 7, HMSO, £3·80.

British Nationality Act 1981 (see pp 320-2). Royal Assent: 30.10.81. Ch 61, ISBN 0 10 546181 4, HMSO.

Broadcasting Act 1981. Consolidates the Independent Broadcasting Authority Acts 1973, 1974 and 1978 and the Broadcasting Act 1980. Royal Assent: 30.10.81. Ch 68, ISBN 0 10 546881 9, HMSO, £5·10.

Companies Act 1981 (see pp 231–3). Royal Assent: 30.10.81. Ch 62, ISBN 0 10 546281 0, HMSO.

Compulsory Purchase (Vesting Declarations) Act 1981. Consolidates the provisions of the Town and Country Planning Act 1968 concerning general vesting declarations and related enactments. Royal Assent: 30.10.81. Ch 66, ISBN 0 10 546681 6, HMSO, £2·30.

Education Act 1981 (see pp 79–80). Royal Assent: 30.10.81. Ch 60 ISBN 0 10 546081 8, HMSO, £2·30.

Education (Scotland) Act 1981. Amends the law relating to education in Scotland, including the provision for children and young people with certain educational needs, the provision of assisted places at grant-aided and independent schools, and the remuneration of teaching staff. Royal Assent: 30.10.81. Ch 58, ISBN 0 10 545881 3, HMSO, £4·80.

Matrimonial Homes (Family Protection) (Scotland) Act 1981. Makes provision for the home occupancy and tenancy rights of each spouse in case of divorce and in certain other circumstances. Royal Assent: 30.10.81. Ch 59, ISBN 0 10 545981 X, HMSO, £2·65.

New Towns Act 1981. Consolidates certain enactments relating to new towns and connected matters (applying to England and Wales only, except for section 43 of the New Towns Act 1965 and sections 126 and 127 of the Local Government, Planning and Land Act 1980). Royal Assent: 30.10.81. Ch 64, ISBN 0 10 546481 3, HMSO.

Trustee Savings Banks Act 1981. Consolidates all legislation on Trustee Savings Banks. Royal Assent: 30.10.81. Ch 65, ISBN 0 10 546581 X, HMSO, £3·80.

Wildlife and Countryside Act 1981 (see pp 152–3). Royal Assent: 30.10.81. Ch 69, ISBN 0 10 546981 5, HMSO.

[1]The prices of some Acts were not available at the time of going to press.

Shorter Note

BBC EXTERNAL SERVICES

The Government has reconsidered how best to finance the programme to improve the audibility of the external services of the British Broadcasting Corporation (BBC) proposed in June (see p 205). Announcing the new proposals in the House of Commons on 26 October, Mr Richard Luce, Minister of State at the Foreign and Commonwealth Office, reminded the House that the Government had approved a capital expenditure programme for the next nine years valued at £102 million (1981 survey prices) and that about £13 million of government money would be available in 1983-84 and 1984-85 combined.

The Government still maintained that the BBC should make some contribution to the cost of the programme by switching resources from current operations to investment. However, while it had originally proposed that this should amount to savings of about £3 million per annum (to be achieved by ending seven vernacular language services and the subsidy to the transcription services), the Government was now asking the BBC to save only about half that amount – some £1·5 million. Moreover, the Government would no longer be expecting the BBC to make a full saving in the financial year 1982-83, because it accepted that time would be needed to run down the services to be discontinued.

The Government would not now be ending the language services to Third World countries – namely Portuguese to Brazil, Burmese and Somali – although in the case of Portuguese to Brazil it

would be asking for a reduction of about half of the 15·75 hours broadcast each week. Nor would it be ending the French service to Europe, although it would be halving the 21 hours broadcast each week. The only services to be ended would be Maltese, Italian, and Spanish to Spain. In the case of the last two, the Government was considering, with the BBC, whether a modest recorded tape service, similar to the BBC topical tapes service, might be preserved. The subsidy to the transcription services, now running at over £1 million per annum, would be halved instead of being withdrawn as previously proposed. The Government had never intended that the transcription services should be ended, but believed that they should move towards becoming self-financing like the BBC's English by radio and television. Mr Luce told the House that the Government's main objectives remained unchanged. Its top priority was to ensure that the BBC external services would continue 'to be heard loud and clear throughout the world'.

Source: *Hansard*, Vol 10, No 158, cols 567-608.

European Security

The foundations of peace in Europe – the possession of an effective deterrent to prevent war, the pursuit of balanced arms control agreements, the development of Western European unity, and the alliance with the United States – were discussed in the Winston Churchill Memorial Lecture by the Foreign and Commonwealth Secretary, Lord Carrington, in Luxembourg on 27 October.

A greater sense of unity and increasing co-operation between West European countries, as expressed in the North Atlantic Treaty Organisation (NATO) and the European Community, were among the outstanding changes that had occurred since the end of the second world war, Lord Carrington said. Gone were the rivalries which had bedevilled Western Europe for centuries; instead there had been a record 36 years of peace. Those who could remember the past conflicts, therefore, had a double obligation: to devise effective policies to maintain that peace and to make sure that those policies were understood by all, particularly those who now questioned the West's security policy and its need for nuclear weapons.

Deterrence and the Military Balance

In the immediate post-war years, Lord Carrington continued, the West had learnt that, while the Soviet Union would use its military strength to apply political pressure, it could be resisted if the West were strong and determined. Since then there had been a radical change in the balance of military forces between the East and the West. The Soviet build-up in armaments had been relentless, both in the whole range of conventional forces, particularly in attack weapons such as tanks where the Warsaw Pact had a 3 to 1 advantage over the West, and in nuclear armaments. From a position after 1945 of possessing no nuclear forces at all, the Soviet Union now had reached parity with the United States in strategic nuclear forces and had a clear superiority in long-range theatre nuclear forces. A similar imbalance was developing in short-range nuclear forces. In addition, the Soviet Union was equal to the West in the technical sophistication of its weapons and had developed a world-wide navy. Against this array of armaments, which could not possibly be seen as defensive, there was the NATO Alliance, clearly deployed, organised, equipped, and trained for defence only. However, Lord Carrington explained, while the Soviet Union was willing to use its forces for political purposes near its borders (as in Hungary, Czechoslovakia and Afghanistan), it had not done so in Western Europe because it realised that the existence of NATO, together with the United States' commitment to Europe, made aggression too dangerous.

Turning to the question of deterrence and the need for deterrent weapons, Lord Carrington said that history's lesson was clear: the price of freedom was untiring vigilance. While nuclear weapons had transformed peoples' views of war, abhorrence of war was no substitute for realistic plans to prevent it. 'Our task is to devise a system for living in peace and freedom while ensuring that nuclear weapons are never used, either for destruction or for blackmail.' It was also necessary to prevent any East-West war, and Lord Carrington reminded his audience that conventional warfare had killed 50 million people during the second world war and another 10 million since then. Geography and totalitarianism had given the Soviet Union a massive conventional military strength and, even if the West were to match this, 'no Western non-nuclear effort could keep us safe against one-sided Soviet nuclear power'.

The purpose of deterrence, the Foreign Secretary explained, was to influence decisively the calculations of a potential aggressor so that it would never see a possibility of depriving the West of all options but surrender. 'Failure to recognise this complicated but crucial fact about deterrence – that it rests on blocking off in advance a variety of possible moves in the mind of any possible opponent – underlies many of the criticisms made of Western security policy.' This did not imply 'a war-fighting strategy' nor involve planning for a probable or expected nuclear war. It was, on the contrary, designed to ensure that a potential adversary understood that to start a nuclear war would bring losses out of all proportion to the desired gains. In Europe, Lord Carrington continued, where peace had been maintained for a generation despite sharply opposing political systems and interests, 'no-one can prove that deterrence centred on nuclear weapons has played a key part, but common sense suggests that it must have done and it would be lunacy to assert that it had not'. At the moment, however, the growing imbalance in military forces was under-

mining deterrence, thus reducing the risks facing a potential aggressor by allowing it to think it had greater opportunities for the use of more aggressive policies in the pursuit of political objectives. The suggestions of those who opposed nuclear weapons and advocated unilateral disarmament would therefore make war more likely.

Theatre Nuclear Forces

While the task of maintaining the deterrent involved a whole range of forces – from conventional to strategic nuclear forces – the particular danger at present was the imbalance in Europe in long-range theatre nuclear forces. When NATO decided to modernise its own small and ageing theatre nuclear forces [of Vulcans and F-111s] in December 1979 (see pp 13-14, 1980), the Soviet Union had already in place 100 SS20s – modern, mobile and powerful missiles with three warheads. Their deployment had continued and they now numbered some 250 missiles (750 warheads), two-thirds being targeted on Western Europe, along with other long-range theatre missiles and aircraft (see p 294). Without any effort to sustain NATO's shield of deterrence, Lord Carrington warned, the Soviet Union might consider that it could threaten Western Europe with these forces, calculating that NATO's only defence would be the strategic nuclear forces of the United States, and that the latter might refrain from using them in fear of Soviet strategic retaliation. With the modernisation of NATO's theatre nuclear forces, that sort of miscalculation would become impossible. The Soviet Union would not be able to rely on the conflict being confined to the central area of Europe, leaving the Soviet Union itself untouched. Furthermore, the United States' commitment, the cornerstone of Europe's security, would be reaffirmed, deterrence reinforced, and the risks of war reduced.

Multilateral Arms Control

There was no question of deterrence alone being an adequate policy for conducting East-West relations. 'We must work unremittingly for better ways of ordering the world', Lord Carrington said, and he called for communication and contact at all levels, from tourism to summit meetings, and, in particular, negotiations on arms control. Three principles would have to be kept in mind concerning the last: security through the limitation of forces, balance in the reduction of forces, and verification to ensure mutual confidence. Britain's approach was that the whole process be taken step by step. 'As one measure is achieved and seen to work, so trust is created and more ambitious measures become possible. Grandiose declarations based on wishes rather than thoughts are . . . unlikely to achieve anything.' After indicating Britain's active involvement in a wide range of arms control agreements, Lord Carrington welcomed the forthcoming negotiations between the United States and the Soviet Union on long-range theatre nuclear forces (see footnote, p 293) and emphasised NATO's willingness to review the agreed deployment [from 1983 of cruise and Pershing II missiles] in the light of their progress. He also hoped for a resumption of the strategic arms limitation talks in the near future, and for these to proceed in tandem with those on theatre nuclear forces. On the Conference on Security and Co-operation in Europe, which had just resumed in Madrid after an adjournment (see pp 351-5, 1980), Lord Carrington said that Britain would make every effort to reach agreement on the French proposal for a European conference on disarmament to negotiate militarily significant confidence-building measures that would be mandatory, verifiable and applicable to the whole of Europe to the Urals. With the acceptance of these principles, confidence would be enhanced and the risks of miscalculation reduced by the increase in each side's knowledge of the other's military activities.

Unilateralism

Turning to the arguments of the opponents of nuclear weapons in Europe, Lord Carrington said that the idea that NATO planning was based on fighting and winning a nuclear war in Europe was a mistake: 'In any nuclear war there would only be losers.' NATO's nuclear forces were there specifically to prevent war. The short range, low speed and limited numbers of the cruise missile made nonsense of the view that it was a 'first-strike weapon' to knock out Soviet missiles. As for disarmament by example, Lord Carrington said that it had not worked in the past and its implementation now would immediately remove the Soviet incentive to negotiate seriously about multilateral disarmament. Unilateral steps, moreover, had already been rejected by the Soviet Union. Indeed, while the West had reduced military expenditure the Soviet Union had increased its rapidly. The proposal to establish a nuclear-weapon free zone from Poland to Portugal was also a delusion since the Soviet Union would be more likely to contemplate the use of its stronger conventional forces if it knew the West had no nuclear deterrent. Moreover, Lord Carrington asked, what would prevent it from threatening Europe with missiles stationed outside the zone?

There was also a certain naivety in the hope of the disarmers to extend their protests to the Soviet Union, given its record on human rights and its attitude on freedom of speech. Finally, the Foreign Secretary said that it was misleading to claim that the choice for the West was simply between being 'red or dead' when the 36 years of peace suggested a third possibility: to prevent war and remain free. To those protesting against nuclear weapons, Lord Carrington warned of the danger of unintentionally serving the purposes of the Soviet Union, 'for under that system it is quite certain that you would never be allowed to speak and act as you do today'.

Political Co-operation and the Atlantic Alliance

Due to the development of the political and economic institutions of the European Community, differences between its members, many of some magnitude, were now settled around the conference table rather than on the battlefield. This was

because of their recognition of the overriding need to find solutions which were fair and acceptable to all parties. The Community was also strengthening its political co-operation machinery (see below) in order to present a joint voice on world problems and to work toward their peaceful settlement. In this context, Lord Carrington pointed to the recent dialogue with other interested parties on issues such as Afghanistan (see pp 201-2) and the Middle East (see pp 202-3, 1980). The most important relationship for Europe, however, was the one with the United States. Without the United States, Europe could never be secure, and without Europe the United States would be isolated and at a grave disadvantage in dealing with the ambitions of the Soviet Union. 'These ties of mutual interest, expressed in the North Atlantic Alliance, reinforce those of cousinhood and culture which underlie the transatlantic relationship.' The United States was in the fullest sense 'a pillar of peace' in the European continent.

European Community

Among developments in the Community in October were a meeting of foreign ministers to discuss political co-operation, a joint meeting of foreign ministers from the Community and the Association of South-East Asian Nations, a British announcement concerning Community assistance to Poland, and a restatement of Britain's views on the need for more competition in the fixing of air fares in Europe.

POLITICAL CO-OPERATION

A further strengthening of political co-operation on foreign policy issues was agreed by Community foreign ministers when they met in London on 13 October. Improvements made include the creation of a small support staff for the Presidency, and the establishment of procedures to facilitate early responses to crises.

Background

In 1970 member states decided to institute co-operation in the field of foreign policy in order to promote the harmonisation of views on major questions, and they set up a political committee of senior officials from foreign ministries to prepare for regular meetings of foreign ministers.

In 1973, when it was agreed that foreign ministers would meet at least four times a year, the political committee was retained to carry out tasks entrusted to it by ministers. In addition, a 'group of correspondants', drawn from each foreign ministry, was set up to prepare the work of the political committee, and provision was made for the creation of working parties of officials to study individual problems. A communications system was also established to improve direct contacts between foreign ministries. Member states agreed to consult each other on all important foreign policy questions, especially those concerning European interests, and each undertook not to decide final positions without prior consultation with its partners. In recent years foreign ministers have agreed common policies on such issues as the Middle East and the Soviet Union's invasion of Afghanistan (see pp 201-2 and 289-90).

Political co-operation is distinct from, and additional to, the actitivies of the Community institutions created by treaty.

The London Agreement

In an agreed report, the ten foreign ministers pointed out that political co-operation had 'developed to become a central element in the foreign policies of member states' and that the Community and its member states were 'increasingly seen by third countries as a coherent force in international relations'. It was a mark of its proven value that such co-operation had steadily intensified and its scope had continually broadened. Moreover, in a period of increased world tension and uncertainty 'the need for a coherent and united approach to international affairs by the members of the European Community [was] greater than ever'. In spite of what had been achieved, however, member states were 'still far from playing a role in the world appropriate to their combined influence', and ministers were convinced that they should 'seek increasingly to shape events and not merely to react to them'. In addition, having regard to the different situations of member states, they agreed to maintain the flexible and pragmatic approach that had 'made it possible to discuss in political co-operation certain important foreign policy questions bearing on the political aspects of security'.

Renewing their commitment to political co-operation, the foreign ministers emphasised that they would consult partners before adopting final positions or launching national initiatives on important foreign policy questions which were of concern to the Community. In these consultations each member would 'take full account of the position of other partners' and give 'due weight to the desirability of achieving a common position'. Such consultations would be particularly relevant for important international conferences in which one or more members were participating. It was also agreed to give due prominence to common positions by means of appropriate references in national statements on foreign policy questions.

Procedures

Because of the increasing workload and the need to assure continuity in political co-operation, foreign ministers decided to strengthen the Presidency through the establishment of a small team of officials seconded from preceding and succeeding Presidencies. These officials, although remaining in the employment of their national foreign ministries and on the staff of their embassies in the Presidency capital, would be at the

disposition of the Presidency and would work under its direction. In addition, it was agreed that at times of crisis, the political committee or, if necessary, ministers would meet within 48 hours at the request of three member states; the same procedure would apply in third countries at the level of heads of mission. (These arrangements had previously been suggested by Lord Carrington in a speech in Hamburg in 1980 – see p 349, 1980). The capacity of members to react in an emergency will also be improved by the increased use of working groups to analyse areas of potential crisis and to prepare a range of possible reactions.

Relations with Community Institutions

Foreign ministers said that they would, as appropriate, have political co-operation discussions on the occasion of meetings of the Community's Foreign Affairs Council. They also attached importance to the European Commission being fully associated with political co-operation at all levels. As for the involvement of the European Parliament, ministers recalled that the Presidency's contacts with it included four annual colloquies with its Political Affairs Committee, answers to questions from members on political co-operation, an annual report on political co-operation, and the Presidency speeches at the beginning and end of its six months' term of office which included political co-operation subjects. There were also informal meetings between ministers and the leaders of the Parliament's political groups. To strengthen further these ties, foreign ministers envisaged 'the possibility of more frequent reference to resolutions adopted by the Parliament in the deliberations, communiqués and declarations of the Ten [member states], and in Ministers' opening statements at colloquies with the Political Affairs Committee of the Parliament'. In addition, after meetings of the European Council of Heads of Government, the President of the Council would make to the Parliament a statement covering the political co-operation subjects discussed.

Third Countries

In view of the increasing activity of Community members in third countries, the foreign ministers stressed that their heads of mission in such countries should maintain the practice of meeting regularly in order to exchange information and co-ordinate views: 'In considering their response to significant developments in the country to which they are accredited their first instinct should be to co-ordinate with their colleagues.' They also emphasised the need for Community members to speak with one voice in their regular contacts with third countries, and the Presidency was empowered to meet representatives of third countries and of organisations which had special links with the Community. In addition, it was agreed that the heads of mission in a country expressing the desire for closer contacts with the Community should meet that country's representatives to hear its views and to explain the position of Community member states.

RELATIONS WITH THE ASSOCIATION OF SOUTH-EAST ASIAN NATIONS

The foreign ministers of the European Community and of the Association of South-East Asian Nations met in London from 13 to 14 October to discuss current international and regional problems, notably Cambodia and Afghanistan.

In a communiqué issued at the end of the meeting, foreign ministers deplored the continued presence of Vietnamese armed forces in Cambodia and of those of the Soviet Union in Afghanistan, pointing out that in each case 'a small independent state had been invaded and occupied by a foreign power in violation of international law'. These actions 'threatened international peace and security, inflicted untold suffering on the peoples of these two countries and caused acute problems for neighbouring states'.

Cambodia

On Cambodia both sides emphasised the need for 'the total withdrawal of Vietnamese forces and the establishment, under United Nations supervision, of conditions in which the [Cambodian] people would be able freely to elect a government of their own choice'. They expressed satisfaction that the solution proposed by the international conference on Cambodia in July (see pp 223-4) conformed to these principles and they hoped that Vietnam and other states concerned would co-operate in the efforts to find a balanced and reasonable solution. Ministers acknowledged the need to take into consideration 'the legitimate security concerns of states in the region', pointed out that a peaceful solution was in the interests of all the parties concerned, and expressed confidence that the resolution of the Cambodian question would contribute to durable peace and stability in South-East Asia. Noting the absence of Vietnam and other states from the international conference, the foreign ministers urged them to attend future sessions.

The Community ministers expressed appreciation that, in the search for a comprehensive political settlement, the Association's member states were motivated by 'the desire to create conditions conducive to the realisation of the zone of peace, freedom and neutrality, whereby all countries of the region could enjoy peace, stability and freedom from interference by outside powers'.

Refugees

Both sides expressed concern that the exodus of refugees from Vietnam, Laos and Cambodia continued to pose problems, particularly for the countries and territories of first refuge. They emphasised that Vietnam should adhere strictly to the undertakings given at the 1979 United Nations Geneva meeting on refugees and displaced persons (see pp 224-8, 1979), and co-operate in the implementation of an orderly departure programme. Thailand, in particular, ministers pointed out, continued to carry a heavy burden and they hoped that satisfactory arrangements could be made for refugees there to return to their homes.

The importance of continued international assistance to Thailand to help care for the refugees and continue cross-border feeding was also stressed.

Afghanistan

Foreign ministers noted with deep concern that military operations by the Soviet Union in Afghanistan were continuing without interruption and 'subjecting the Afghan people to a severe ordeal and creating a massive flood of refugees and a heavy burden for neighbouring countries, in particular Pakistan'. They strongly urged that conditions should be created to enable the refugees to return in safety. Since all appeals by the United Nations, the Islamic states, and the non-aligned countries had been ignored, the situation remained 'an important cause of international tension'.

The Association foreign ministers reiterated their support for the Community's proposal for an international conference on Afghanistan (see pp 201-2) in the belief that it 'would open a constructive way forward for a political solution'. Both sides expressed the hope that 'the Soviet Union would realise that a positive response was in the interest of world peace and stability'.

World Economy

In a general exchange of views on the world economic situation, both sides welcomed the call of the Ottawa summit (see pp 225-8) for continuing resistance to protectionist pressures and reaffirmed their commitment to an open international trading system. They agreed to continue their co-operation, in particular by supporting commodity agreements and, where appropriate, participating in them.

Lord Carrington's Press Conference

Speaking on behalf of the Community at a press conference on 14 October, the Foreign and Commonwealth Secretary, Lord Carrington, said that the purpose of the meeting had been to celebrate a unique relationship between two groups of states, geographically separated by thousands of miles but remarkably close in political outlook. Close agreement had been achieved on the major questions discussed.

Answering questions, Lord Carrington said that the Community's proposals concerning Afghanistan remained on the table. They envisaged the cessation of all outside interference and a situation in which the Afghan people could choose their own government. Although rejected by the Soviet Union, the proposals remained the best way forward, were 'essentially fair to all sides', and were the basis for a solution.

POLAND

Details of recent Community aid to Poland, including Britain's contribution, were given to the House of Lords on 15 October by Lord Trefgarne, the Parliamentary Under-Secretary of State at the Foreign and Commonwealth Office (*Hansard* (*HL*), Vol 424, No 135, cols 438-9).

Food and agricultural products at a discount price 15 per cent below world market prices, made available under two offers in December 1980 and March-April 1981, have included some 452,000 tonnes of barley, 272,500 tonnes of wheat, 45,000 tonnes of butter, 100,000 tonnes of meat and 100,000 tonnes of sugar. The cost of the discount to the Community budget is an estimated £48 million, the remaining costs being covered by credits given by the individual Community members supplying the products. Under another offer of 7 October, further aid – 275,000 tonnes of wheat, 25,000 tonnes of barley, 10,000 tonnes of rice, 10,000 tonnes of beef, 5,000 tonnes of butter and 30,000 tonnes of lemons – is being made available on the same terms for the last quarter of 1981, with an estimated cost to the Community budget of £10 million. Community members are also able to deliver to Poland free of charge fruit and vegetables withdrawn from the market in accordance with the provisions of the Common Agricultural Policy.

Britain's contribution, described by Lord Trefgarne as 'substantial', includes all the barley in the first two consignments, 10,000 tonnes of butter, 3,000 tonnes of beef, and the credit for these purchases. It also expects to provide the barley under the October offer.

Britain, the Federal Republic of Germany, Belgium, the Netherlands, Italy and Denmark, as individual member countries of the Community, are among the main creditor governments which reached an agreement with Poland in April 1981 on rescheduling its trading debts. Under this agreement (which also set up a joint commission of Poland and its creditors to consider Polish debt servicing in 1982), Britain concluded a bilateral agreement with Poland in July providing for Poland's payment of 90 per cent (£75 million) of its debts maturing in 1981 to commence in January 1986 with the first of eight equal half-yearly instalments. The other 10 per cent of the debts is to be paid on or near the dates specified in the original credit contracts. The interest on the restructured debts is set at a floating rate of 1 per cent above the market rate. Finally, the Export Credits Guarantee Department is to maintain general short-term export credit facilities, and, in addition to credits worth £20 million announced in April, is to provide guarantees for another £45 million of new credits.

AIR FARES

Further action to introduce competitive air fares in the Community was urged by the Secretary of State for Trade, Mr John Biffen, in a statement on 8 October. Mr Biffen was commenting on the Department of Trade's reply to a letter from the European Commission asking member states for information about the fixing of fares.

Britain's objective, Mr Biffen explained, was to bring more competition into the present 'highly regulated system of European air transport', and it was as a result of a British initiative that the Commission had been asked to examine air fares. It had reported in July but, as yet, no draft directive had been put forward to the Council of Ministers. Britain was particularly concerned, Mr Biffen continued, to ensure that, if an airline came

forward with a sensible new fare justified in relation to costs and a fair return on investment, the fare should go into effect 'for the benefit of air travellers and the airlines themselves without being blocked by the need for bilateral agreement [between governments]'. Not enough progress had been made in this direction, however, and, although the Commission's letter of inquiry was a step in the right direction, 'significant changes to create an open system [were] necessary as a matter of policy to meet justified consumer demand and also very probably as a matter of Community law under the Treaty'.

Noting that Britain would not be satisfied until changes had been made, Mr Biffen said: 'As a first step the Commission should follow up its useful report on fares by putting the draft directive before the Council quickly as we have urged.[1] The Council should then act speedily to adopt a measure that will end the present closed system and allow airlines to introduce fares which their governments agree are reasonable in relation to their costs. The present bilateral system which allows another state to simply say no – often at the urging of its national airlines – is outmoded and probably contrary to Community law.'

The Cancun Summit Meeting

Britain's readiness to assist developing countries by promoting an open trading system, encouraging private investment and providing official aid, especially in support of agricultural development, was reaffirmed at the International Meeting for Co-operation and Development which was held at Cancun, Mexico, on 22 and 23 October.

The Meeting, which was originally suggested by the Brandt Report, was attended by the leaders of 22 countries representative of the developed countries which attended the Ottawa economic summit in July (see p 225), members of the Organisation of Petroleum Exporting Countries and non-oil-producing developing countries. Britain was represented by the Prime Minister, Mrs Margaret Thatcher, and the Secretary of State for Foreign and Commonwealth Affairs, Lord Carrington. No communiqué was issued, but in a summary of the discussions the Meeting's co-chairmen (the President of Mexico and the Prime Minister of Canada) referred to the 'extremely constructive and positive' spirit adopted by the participants and their clear determination to continue 'to attack the problems [discussed] on an urgent basis in the international institutions existing for this purpose'. In addition, they all recognised their increasing economic interdependence and held 'a strongly shared view that in the global community the problems of economic disparities among nations needed to be seen as the responsibility of all and therefore required concerted action'.

[1]On 21 October the Commission presented to the Council a draft directive on tariffs for scheduled air transport between member states.

Mrs Thatcher, who addressed the Meeting on 22 October, reported on its deliberations in a statement to the House of Commons on 26 October (*Hansard*, Vol 10, No 158, cols 557-66). For other British views on the Meeting, the Brandt Report and related issues, see pp 220-2, 255-60 and 267-73, and COI reference document *Britain and Overseas Development*, No 116/factel/81.

Results of the Meeting

The Meeting, Mrs Thatcher told the House of Commons, was never intended to negotiate or to make precise commitments, since those present could not bind countries that were absent. The aim was to promote greater understanding between the participants and to give a lead in seeking solutions across a range of subjects. This it achieved, all the participants having shown a willingness to be both positive and practical in approaching the problems that faced both developed and developing countries. In particular, the industrialised countries, despite their own problems, had made known their desire to help the developing countries as much as they could, though they recognised that the primary responsibility for development lay with the developing countries themselves.

Mrs Thatcher then outlined the discussions on the four main topics before the meeting.

1 *Food:* It was agreed that, while food aid was needed for temporary shortages, the main priority was for developing countries to grow more food for their own people through giving farmers the right incentives and technical support. Aid had to be designed to reinforce these objectives.

2 *Trade:* While very much aware of the difficulties created by the world recession, participants recognised that, for most developing countries, trade was more important than aid and agreed on the value to all of maintaining the open trading system. With regard to commodities, Britain confirmed its intention to ratify the Common Fund agreement (see pp 240-1, 1980).

3 *Energy:* In discussing developing countries' needs for increased investment to enable them to build up their own resources, Britain and some other participants supported the idea of an energy affiliate of the World Bank, provided that this would attract additional finance for energy investment, especially from oil surplus countries.

4 *Finance:* The need for developing countries to pursue policies which would attract private investment and bank lending was widely recognised, as was their reliance on assistance from the International Monetary Fund and the World Bank. For many countries, funds from these institutions should complement and encourage private finance, leaving more aid to be concentrated on the poorest.

With regard to the resumption of the global negotiations (see p 292), Mrs Thatcher said that it had been agreed to go back to the United Nations and to try to work out how to launch them on an agreed basis and with a real prospect of progress. A number of countries, including Britain, had made it clear in this context that the

independence of specialised bodies like the International Monetary Fund and the World Bank had to be respected. It would certainly not be in the interests of the developing countries if these institutions lost the confidence of their major subscribers and of the financial markets.

Prime Minister's Speech

Britain, Mrs Thatcher told the Meeting, was already helping the developing countries as much as it could and would continue to do so despite its own problems. Its aid programme in 1981-82 exceeded £1,000 million and was particularly high in relation to national income per head. Its record in private financial flows was second to none, and these totalled nearly £5,000 million in 1980. Together with official aid, these flows represented about 2·5 per cent of gross national product.

Since all countries were dependent on each other for their prosperity, Mrs Thatcher emphasised that co-operation should be mutually beneficial to both developing and developed countries. Britain, which exported one-third of what it produced and imported one-third of what it consumed, fully recognised this, as did the European Community, which was the developing countries' largest trading partner and contributed nearly half of the official aid provided by the industrial countries.

While the developing countries were primarily responsible for their development strategies, the Meeting's aim was to look for practical ways of helping them to develop their resources, and to enable both peoples and governments to realise their countries' full potential. In this context, Mrs Thatcher said, Britain believed that recent history demonstrated that the best results were achieved by those political systems which provided maximum freedom for the private sector and which had encouraged, rather than restricted, trade and investment. She also pointed out that if world trade and development were to be expanded to mutual advantage, then it was necessary for nations to show more understanding of each others' needs and problems and to look for policies which helped rather than harmed their neighbours.

Turning to the question of global negotiations, the Prime Minister said that Britain was ready to enter a new round of preparatory talks, and that agreement on this at the Meeting would represent a positive and practical lead. Britain also believed that specific agreements had to be worked out, in clear and precise terms, in the specialised bodies which had their own constitutions, knowledge and experience. Above all, it was important not to compromise the effectiveness or integrity of organisations like the World Bank and the International Monetary Fund, otherwise these bodies would become less able, and private lenders and investors less willing, to help.

Specific Topics

With rapidly increasing populations, Mrs Thatcher stated, the first priority had to be for developing countries to grow more food for their own people. It was wrong to encourage reliance on food aid, except in response to emergency situations. Increasing local production depended on creating the right incentives for farmers and on improving research, marketing investment and storage. Britain was ready to help and was increasing its aid for research. Meanwhile, it was providing £50 million a year in food aid to deal with temporary shortages.

Commenting on the developing countries' need for more investment in their energy resources, Mrs Thatcher pointed to the major role the private sector could play in this if countries created the right conditions for investment. As for establishing an energy affiliate of the World Bank, Britain would support this if it would attract additional funds which would not otherwise go to the World Bank, particularly from oil surplus countries. If not, different methods of achieving this objective would need to be found. Whatever was done, industrial countries had to conserve energy themselves, to relieve pressure on world markets and therefore on prices.

The expansion of trade, Mrs Thatcher continued, was essential if a rising standard of living was to be achieved. In spite of two world recessions in the last eight years, the industrial countries were preserving and enlarging the open trading system. Even in textiles, a difficult sector because of growing unemployment, the share of world markets taken by developing countries had increased substantially. If the open trading system were to be maintained, however, developing countries, as they grew stronger, also had to open their markets more widely.

Finally, referring to the key role played by international financial flows, Mrs Thatcher said that these had to be put to the best possible use. Developing countries would benefit if they could pursue policies which would attract private investment and a continuing flow of bank lending. That required fair treatment for investment from abroad and policies which demonstrated credit worthiness. Where the International Monetary Fund could give a seal of approval to a nation's policies, financial flows would be encouraged. The World Bank, for its part, was expanding co-financing with the private sector, and this was one way in which the scarce governmental resources on which these organisations depended could be made to go further. Direct aid could then be concentrated on the poorest countries, which had the least access to private finance. This was why over 60 per cent of Britain's bilateral aid went to the poorest countries and why it had accepted the target of 1·5 per cent of gross national product for aid to the least developed countries.

Chancellor's Mansion House Speech

Speaking at the Lord Mayor's Banquet for Bankers and Merchants of the City of London at the Mansion House on 15 October, the Chancellor of the Exchequer, Sir Geoffrey Howe, said that there was 'a new spirit of realism' in the country, with a substantial fall in the rate of inflation and in pay settlements. However, continued improvements in efficiency and reductions in costs were necessary if Britain were to match the economic performance of its competitors. The Government understood the distress of unemployment and would go on helping the hardest pressed.

The Public Purse

The Chancellor began by saying that the health of the public finances was a condition for, and a consequence of, the health of the private sector. It was quite wrong to suppose that a well-filled public purse was a sign of well-being if that had been established only as a result of bearing down too hard on the private sector. It was even more foolish to regard the public purse as a self-generating source of wealth.

The International Economy

Sir Geoffrey felt that the 'golden age' of economic stability, which had prevailed for a quarter of a century following the Bretton Woods conference of 1944, had passed because governments had become 'over-ambitious about their role and their ability to shape their economies'. The belief that governments could cure all known economic ills had led to increased government spending, financed by deficits and monetary expansion. 'And so, even before they were boosted by a twenty-fold increase in the price of oil, powerful engines of inflation were already in place.'

The Chancellor said that these points, already grasped by almost all the world's finance ministers, were beginning to be understood by electorates in many countries. There was increasing agreement that much lower inflation was the precondition for a resumption of sustainable growth and the achievement of greater international stability. This was the view of Britain's major Western partners and of the British Government.

The British Economy

The ability of Britain to defeat inflation, Sir Geoffrey continued, was handicapped by its long history of relative economic decline. Productivity growth in manufacturing had fallen from about 3·5 per cent a year in the ten years or so to 1973 to under 1·5 per cent a year since 1973. Between 1960 and 1980 the real return on capital had fallen from 13 per cent to 2 per cent, the fall having been concentrated in the decade of the 1970s. 'All this makes more formidable the nature of our task today.'

Nevertheless, 'a new spirit of realism' was slowly dawning in Britain. Inflation had fallen from an annual rate of 22 per cent in early 1980 to its current level of some 11·5 per cent. The level of pay settlements had been halved and there were signs that this improvement would be sustained in the next pay round. Manufacturing productivity had risen by 5 per cent since the end of 1980. Sir Geoffrey felt that 'the movement of productivity and earnings, coupled with the fall in sterling since the end of last year, has probably improved the international competitiveness of British manufactures by some 10 per cent'.

The Government understood the distress created by unemployment, especially among the young, and would continue to do all it sensibly could to help the hardest pressed. 'But it is inevitable that the process of change should be difficult and painful . . . . There can be no escape from the need to continue improving efficiency and reducing costs until the performance of our economy comes closer to that of our competitors.'

Monetary Policy

Monetary policy would continue to play a key role, the Chancellor continued. On this Britain was 'in line with the international consensus'. The Government's belief, 'shared throughout the Western world, is simply that the defeat of inflation entails a programme of financial restraint, which helps to limit the growth of total incomes and expenditure in money terms'. This meant that the Government had 'an overwhelming responsibility to control its own expenditure and its borrowing'. The more the Government was able to do so, the more likely were domestic interest rates to come down. Were it not for the tight fiscal policies announced in the Budget (see p

100), the upward pressures on interest rates would have been even greater.

The Chancellor pointed out that Britain had been affected by the tightening of financial policies, with rising interest rates, in other countries. As it would 'indeed be rash to assume that current tensions will quickly evaporate', the external environment in which the health of the British economy, and hence of the public purse, had to be restored would be likely to remain a harsh one for some time to come. Nevertheless, the days of mounting deficit spending had gone and there was a new emphasis on prudent finance, which 'must be right for the long-term health of the world economy'.

Sir Geoffrey went on to say that it would be misleading to suggest that interest rates abroad were the only reason for the rise in British rates. The very rapid increase in bank lending and the fall in sterling had both necessitated some rise in interest rates for anti-inflationary pressures to be maintained.

He rejected the charge that the Government was obsessed with a slavish regard for one monetary aggregate – sterling M3 (money in circulation and British residents' sterling bank deposits) – to the exclusion of all else. The fact was that, given the distortions in the data following the abolition of exchange controls (see p 162, 1980), of the supplementary special deposits scheme (the 'corset', see p 131, 1980) and the civil servants' dispute, there was no practical alternative to sterling M3 for monetary interpretation. In any case, although targets were expressed in terms of sterling M3, the Government had repeatedly made it clear that 'no one aggregate can fully encapsulate monetary conditions'.

Whatever the monetary variables used, the Government had to maintain a steady, though not excessive, downward pressure on these variables over a period of years, 'making due allowance for events in the world beyond our shores'. The Chancellor thought that the Government could justifiably claim to have achieved this sort of pressure over the previous two years. At present the indicators pointed towards the maintenance of a firm fiscal policy if continued progress against inflation were to be made.

Creation of Wealth

Sir Geoffrey rejected the idea that the process of creating a deficit would itself generate the funds required to finance it. Instead, to borrow more in order to reflate would increase the pressure on interest rates and, 'except perhaps in the shortest of terms, inhibit rather than promote the growth of employment'. The crucial need was for improved efficiency in the creation of real wealth – the 'ability to produce and sell goods and services at prices that can compete in domestic markets as well as overseas'. This was why the Government had 'taken so many steps to increase the flexibility of the economy, to remove the obstacles to change [and] to increase the opportunities for enterprise. For here is the real answer, the sustainable cure, for unemployment.'

The Government had removed controls on pay, prices (see pp 340-1, 1979), dividends (see p 196, 1979) and foreign exchange (see p 162, 1980) and it did not intend to re-introduce them. Reductions in income tax, in order to improve incentives, had been 'substantial, indeed dramatic at the top end' (see pp 196-7, 1979). However, there was still much to be done, perhaps most of all in the labour market. People had to be encouraged to be sensible about pay in order to bring the price of their labour down to the level at which it could once again be fruitfully employed.

The Chancellor pointed out that between 1977 and 1980 real living standards had grown by 17 per cent, much faster than the rise in productivity, while the real income of companies (excluding those involved in the North Sea) had fallen by almost 30 per cent. The changes during these three years, largely the continuation of an existing trend, had been 'positively hostile to the maintenance of employment'. If profits and investment were to recover and the outlook for jobs improved, that trend had to be reversed, which would entail some fall in living standards. The greater the Government's success in keeping pay rises within the limits of what could be afforded, the more would be available for capital expenditure, for the maintenance of services, for the expansion of industrial and commercial activity, and so for a real reduction in the number of unemployed.

As part of its expansionary efforts the Government had increased the resources available to encourage businesses in areas of high technology. It had introduced, to promote small businesses, the venture capital scheme (see p 120, 1980), the business start-up scheme (see p 103) and the loan guarantee scheme (see p 103). The Government welcomed inward capital investment and was in favour of additional private investment in the public sector if it could be undertaken under conditions of risk and profit similar to those obtaining in the private sector 'and in circumstances where the disciplines of direct market pressures would offset the impact of higher borrowing'. The Government was also determined to ensure that, wherever possible, nationalised industries became more responsive to market conditions. This meant the removal of statutory monopolies and, in some cases, transfer to the private sector through a sale of shares, already achieved in the case of British Aerospace (see pp 56-7).

Government Economic Policy

In parliamentary speeches both the Prime Minister and the Chancellor of the Exchequer have reaffirmed the commitment of the Government to its economic strategy but have rejected the charge of inflexibility in the face of the recession. Mrs Margaret Thatcher emphasised that only the Government's policies would bring about what everyone wanted – a reduction in unemployment – while Sir Geoffrey Howe pointed out that measures to

bring down inflation were the same ones that would reduce unemployment.

Government View

Speaking in the House of Commons on 28 October against an Opposition motion expressing no confidence in the Government's economic policies[1] (*Hansard*, Vol 10, No 161, cols 874-966), the Prime Minister said that the Government was 'following policies that will best reduce unemployment', which was 'a social evil . . . particularly soul-destroying for the young'. There was wide international agreement that unemployment on its present scale 'cannot be solved or even greatly alleviated by a reflationary package on any feasible scale'.

There were three aspects to the Government's financial strategy. First, the financial discipline necessary to reduce inflation had to be maintained. The fixed exchange rate system, until its collapse in the early 1970s, used to provide such discipline. In the absence of that system countries had to impose their own financial discipline, which meant a return to sound money. Secondly, public borrowing had to be restrained. If more were borrowed interest rates would rise, with harmful effects on the private sector as well as on the level of debt interest. Thirdly, public spending had to be controlled. However, spending in 1982-83 would be higher than the figure published in the latest White Paper on public expenditure[2] (see pp 104-10). 'We are resolute in the pursuit of the strategy but accusations that we are inflexible in our tactics in the face of recession are wholly unfounded', Mrs Thatcher said, and went on the tell the House that the Government had increased spending on employment and training (see pp 228-30), had raised the financial limits for coal (see pp 222-3, 1980), steel (see p 75) and the railways, had raised the spending limit for British Telecommunications and had increased its aid to BL (see pp 49-50) and Harland and Wolff. As well as the level of public spending, the size of the public sector borrowing requirement would rise, reaching £10,500 million in 1981-82, some £3,000 million above the figure indicated in 1980 (see p 96).

On pay, the Prime Minister said that the Government did not have 'a single, inflexible pay limit. . . . It is the total bill which falls to be met from tax on companies and individuals that must concern us.'

Mrs Thatcher went on to enumerate 'signs of recovery and hope' in the economy. In the first six months of 1981 the combination of sharply improved productivity and moderated pay settlements had given Britain virtual stability in the unit cost of labour for the first time in a decade. The number of industrial disputes in the previous two years was lower than in any comparable period since the 1940s. Of the main industrialised countries, Britain, together with the Federal Republic of Germany, was exporting the highest proportion of national output – 28 per cent. Engineering orders were 9 per cent higher in volume than at the end of 1980 while manufacturing output rose by 2 per cent in the three months to August.

The Prime Minister told the House that she did 'not believe that we shall serve our constituents if we seek to feed them a diet of illusion. The greatest betrayal that we could perpetrate on those who are now paying the price of easy answers in the past will be to try to give them easy answers once again. That is a betrayal of which the Government will not be guilty.' Everyone wanted unemployment brought down but only the Government's policies would do so. Mrs Thatcher believed that 'underneath the surface, and beginning to break through, is a spirit of enterprise which has lain dormant in this country for too long. Under the Government that spirit is springing to life again. Therein lies the assurance of true recovery.'

Opposition Views

Proposing the motion of no confidence, the Leader of the Opposition, Mr Michael Foot, said that the immediate question was that of mass unemployment; in October the unemployed had represented more than one in eight of the working population. The justification for the motion was that the Government was mainly responsible for the level of unemployment. He accused the Government of making 'savage cuts in public expenditure', of increasing taxation, of forcing up inflation, of destroying the competitiveness of British industry and of pushing up interest rates.

Mr Foot said that the Government claimed to have cut £5,000 million from the expenditure programmes of the previous Government for 1980-81 and went on to express the view that the measure of the damage that the Government would have inflicted on the economy in 1981-82 was of the order of £8,000 million.

Turning to the Government's proposals on taxation made before the 1979 general election, Mr Foot said that virtually the only pledge that had been carried out was the reduction in the burden of tax on those with the highest incomes. For the great majority, however, the burden had increased substantially.

He went on to accuse the Government of sustaining the sterling exchange rate at too high a level, leading to a reduction in Britain's competitiveness, only partly reversed by the subsequent fall in sterling. This had put a severe strain on the finances of many companies and the strain had been exacerbated by a record level of interest rates. 'Thus, the United Kingdom economy has been subjected to an unprecedented fiscal, monetary and foreign exchange squeeze. All this must be laid directly at the door of the Government.'

The rate of inflation had been much higher over the previous two-and-a-half years than when the Government had taken office, while the medium-term financial strategy (see p 113, 1980) had been accompanied by an increase in the money supply of some £17,000 million in the previous 18 months. The public sector borrowing requirement which, it had been intended, was to be progressively reduced, had instead increased substantially.

[1] The motion was defeated by 312 votes to 250, a Government majority of 62.

[2] *The Government's Expenditure Plans 1981-82 to 1983-84*. Cmnd 8175. HMSO, £9·30. IBSN 0 10 181750 9.

Suggesting measures that would assist the country, Mr Foot argued that a 'conventional reflation' which would have been enough to stimulate the economy in previous years 'today would hardly do more than relieve the increasing scale of unemployment'. If there was to be any hope of restoring anything like full employment there would have to be rapid economic growth and a look at new approaches to employment. Nationalised industries, for example, which had 'often led the way in proper forms of expansion', should be given scope to provide useful employment.

For the Liberal Party, Mr Jo Grimond said that extra demand, if it were not to lead to inflation, had to be accompanied by higher productivity and expanded production of wealth. This depended on new investment and better use of existing investment which, in turn, depended on industry becoming more profitable. Greater profitability required restraint over salaries and wages, reduced taxes and rates, improved labour relations and a greater agreement among those in industry on the purpose of work.

Although Mr Grimond felt that Britain's real failure was inadequate use of investment already made, he also believed that an increase in new investment was needed to stimulate the economy and to provide work in both private and public sectors. He was in favour of denationalising certain parts of the nationalised industries and wholly approved of what had been done in the case of the National Freight Company (see p 341).

Dr David Owen of the Social Democratic Party said that Britain was faced with the prospect of steadily rising unemployment, no marked fall in inflation and no significant resumption of growth. He felt that a higher share of national resources now had to be allocated to industry, whether in the private or public sectors. Dr Owen recognised that economic stimulation would mean increasing the public sector borrowing requirement but he believed it right to do so at a time of recession. The Social Democratic Party advocated an incomes strategy as part of a range of policies which included the maintenance of a competitive exchange rate and lower interest rates.

Government Reply

Replying for the Government, the Chancellor of the Exchequer, Sir Geoffrey Howe, said that the British economy had been 'afflicted by irresponsible trade unionism insisting far too often on manning levels and pay settlements that have served only to price their own members out of jobs'. It was thus wrong to pretend that there was 'any choice between policies that are designed to reduce inflation and policies that are designed to reduce unemployment. The truth is that measures to reduce inflation are measures to reduce unemployment. Indeed, they are the only measures likely to be effective in the longer term.'

The real reason why the recession was hurting Britain more than some other countries, the Chancellor continued, was that, between 1970 and 1980, money income rose by 335 per cent while output, including North Sea oil, increased by only 16 per cent. 'There is no way to restore this country's ability to compete except by firm and sustained action to ensure that we get away from the habit of paying ourselves wage increases that have not been earned by higher productivity.'

Sir Geoffrey rejected the idea of an incomes policy, which tended to be followed by a pay explosion. Instead, Britain had to 'win back competitiveness by encouraging greater responsibility in pay bargaining'. This was why a limit of 4 per cent had been placed on the rise in total pay in the public sector in 1982-83.

The Chancellor also rejected the suggestion that the sterling exchange rate should be allowed to fall in an attempt to boost exports because of the danger that 'any short-lived boost to export prospects is all too rapidly offset by the effect on costs and prices, and so another dose becomes required'.

Sir Geoffrey went on to tell the House what measures the Government was taking to support industry. In 1981-82 capital expenditure by central Government, the nationalised industries and other public bodies would amount to over £23,000 million, well over twice the total that the Government was planning to borrow. Planned investment in the nationalised industries in 1981-82 was higher than in any year since 1975-76. In addition to its assistance to British Steel, where improvements in productivity were now taking place, the Government had reduced energy costs for industry by £120 million (see p 101). Major defence orders had been placed with GEC and the Government had helped a number of British companies to win substantial contracts overseas.

The best way to encourage enterprises in the public sector was to move them out of the public sector altogether, the Chancellor continued. The monopoly of British Telecommunications had been ended (see pp 14-16) and this was leading to expansion. The Government was also selling its shares in a number of bodies, the financing of which would now 'cease to be a burden on the public purse'.

The Government's 'principal purpose [is] to secure a sustainable increase in long-term private sector employment. But in the meantime, the Government recognises their responsibility to help those groups who are hardest hit by recession.' In 1981-82 the Government would be spending more than £1,000 million on special measures in support of the unemployed (see p 229) and in 1982-83 the figure would be some £1,500 million. By the end of September about 700,000 people were covered by these special measures, while the youth opportunities programme now provided 550,000 places (see p 230) – five times as many as in 1978-79.

The most serious obstacle to the chances of young people out of work, the Chancellor went on, was the insistence on excessive wage rates. Progress was being made in a number of areas, including pay, inflation and industrial relations, and it 'would be folly indeed to cast all that progress away by accepting the advice of the Opposition. If we took their advice, we would be casting it away in a burst of reflation.'

Inviting the House to reject the motion, Sir Geoffrey concluded: 'The Government are fully

aware of the tragedy of unemployment. We are fully aware of the hardships suffered by the elderly and disabled and the difficulties that British industry has been going through. We have sustained a massive programme of support.

'The Government are convinced that the economic policies now being followed must be maintained.'

Information Technology

Information Technology Year 1982, the government-sponsored campaign to increase awareness in Britain of information technology and the opportunities it offers (see pp 183 and 239), was launched by the Minister of State for Industry and Information Technology, Mr Kenneth Baker, at a press conference in London on 2 November.

Mr Baker pointed out that an enormous range of activities was being transformed by information technology (the convergence, made possible by microelectronics, of computers, telecommunications and office equipment) and gave examples of what the Government, and in particular the Department of Industry, had already done in the field and what it was planning for 1982. The Government had taken a large number of initiatives, many of which were outlined in its response to the Advisory Committee for Applied Research and Development report on information technology (see p 296, 1980).[1] The most important was the opening up of the telecommunications monopoly (see pp 234-5) so that people could buy the telephones and other terminals that they wanted, from whomever they chose; and developments such as 'Project Mercury' (the proposed business communications system, see p 235). Details of the major new projects announced on 2 November, together with a brief outline of some other projects and support for manufacturers, are given below.

L-SAT

Britain is to take a one-third share, worth £77 million, in the European Space Agency's (ESA) L-SAT programme to develop a large telecommunications satellite, the launch of which is planned for 1986. The prime contractor will be British Aerospace (the prime contractor for a number of other ESA satellites), while Marconi Space and Defence Systems will build the specialised business communications payload, which will be the first in the world to use on-board switching between multiple spot beams. This technique, which will be used in most future communications systems, increases the communications capacity obtainable from a given size of satellite and a given frequency allocation.

L-SAT will incorporate a new modular design of satellite platform suitable for carrying a wide range of payloads, including those with very high power requirements, such as television (TV) broadcasting. On its first flight L-SAT will carry separate payloads to provide demonstrations and experiments in advanced digital communications to small dish aerials, direct TV broadcasting, and communications at frequencies higher than those used at present. The project will play an important part in the spread of information technology since satellite systems will provide the international communications needed for electronic office systems. Satellite communications are also well suited to the needs of audio and video teleconferencing systems.

Project Hermes

The Department of Industry, through its National Physical Laboratory, is collaborating with PIRA (the research association for the paper and board, printing and packaging industries) on the development of an electronic document viewing and delivery service known as 'Project Hermes'. Planned for operation in 1982, Hermes will be a substantial network of terminals for teletex (a super-fast form of telex, see p 149) which will operate to internationally agreed standards on a database of material of current interest, set up with advice from the Publishers Association.

With Hermes it will be possible for input to be manipulated, stored and transmitted to workstations on the network. The project is intended to provide electronic mail facilities between about 20 terminals throughout Britain; provide a document delivery service using teletex and facsimile transmission; and facilitate examination of alternative forms of document storage and input systems as well as security features. Emphasis will be given to the scientific, technical and medical fields, where the interest would be in satisfying 'orders' for documents and reports which result from on-line searches of computer databases containing bibliographic references to the world's technical literature.

Mainsborne Signalling System

The Department of Industry is supporting research into using the electricity mains as a two-way information carrier for meter reading and energy management in the home. The project, known as the 'Mainsborne Signalling System', will be carried out by Thorn EMI in conjunction with the Electricity Council, the British Gas Corporation and the National Water Council. The potential benefits of such a system include remote reading of meters; better control of energy; detection of leaks, fraud or vandalism; and more detailed information on accounts for consumers. Following initial research, field trials will be carried out in about 1,000 homes in the London and Milton Keynes areas. Installation of the equipment will start in the spring of 1982 and the trial in the autumn.

Systems similar to the 'Mainsborne' are also being developed by both the private and public sectors of industry, based on the telephone network, long-wave radio or cablevision.

[1] *The Government Response to the ACARD Report on Information Technology*. Available from the Library, Department of Industry, Abell House, John Islip Street, London SW1P 4LN.

Microelectronics in Education

The 'Micros in Schools' scheme (to equip every secondary school with at least one micro-computer, see pp 117-18) is being extended to secondary schools which already have computer facilities, with effect from 1 January 1982. Since the scheme began on 1 June 1981 (when the Department of Industry estimated that between 2,500 and 3,000 secondary schools were without such equipment), nearly 1,900 applications have been approved. Both maintained and independent schools in all parts of Britain are participating in the scheme. After announcing this, Mr Baker added: 'In 1982 I hope we can extend the scheme to primary schools and to make extra provision for special schools.'

Other Projects

Other government-sponsored projects mentioned by Mr Baker included a collaborative action programme, to be extended further in 1982, between manufacturers and retailers of teletext (see p 310, 1978) and viewdata (see p 16)[1]; funds totalling £600,000 over three years to be provided towards the establishment of a national federation of centres at which advice and training will be available for businessmen and others who want to learn how to select and apply microcomputers; a series of trial projects in office automation in the public sector, including central government, local authorities and nationalised industries; and a group of six mobile exhibition trailers, staffed by consultants and containing demonstrations of information technology applications in typical offices, which throughout 1982 will visit industrial estates, companies, schools, exhibitions, conferences and other locations. Mr Baker said that support for research and development in information technology industries was being provided for microelectronics (see p 388, 1979, and pp 252-3, 1980), fibre-optics and opto-electronics (see p 239), robotics (some £10 million has been made available over the period to 1985 under the Department of Industry's Product and Process Development Scheme and from funds administered by its Mechanical Engineering and Machine Tools Requirements Board), and computer-aided design and computer-aided manufacture (CAD-CAM) (a three-year campaign to increase awareness and use of CADCAM by industry costing £6 million is to start in January 1982). A further £80 million has been allocated for 1981-85 to support the development of new products and processes in information technology (see p 183).

Government Use of Information Technology

In a speech during the launch of the campaign, the Minister of State, Civil Service Department, Mr Barney Hayhoe, pointed out that central government, as the biggest single user of information technology in Britain, with some 650 medium- and large-sized computers, 500 microcomputers and 400 word-processors, had a major part to play in increasing the awareness and use of information technology by civil servants. Many of the Government's computer operations were among the largest of their kind in the world – for example, the Department of Health and Social Security's national insurance contribution records system – and its estimated expenditure in 1981-82 on the purchase, hire and maintenance of computers was about £178 million.

[1]Viewdata is a term for computerised information that can be transmitted along telephone lines for display on a television screen in the form of words, figures and graphics. Teletext is similar to viewdata, except that the information is broadcast in the same way as a television signal.

Trade Agreement with Brazil

Britain and Brazil have signed a trade agreement which will secure nearly $700 million (£385 million)[1] of orders for British companies. The agreement represents an important step in the development of trade between Britain and Latin America as a whole.

A memorandum of understanding was signed on 26 October by the Secretary of State for Trade, Mr John Biffen, and the Brazilian Minister of Planning, Professor Delfim Neto. It identifies a number of projects which will be covered by a financial package consisting of Eurodollar loans from a group of banks and support from the Export Credits Guarantee Department; the package has been accepted by the Brazilian Government. The memorandum envisages that firm orders will be placed in respect of the contracts by 30 April 1982. Projects identified include four roll-on/roll-off ships and two container ships to be built by British Shipbuilders for Sunanam (the Brazilian merchant shipping authority) at a cost of some $200 million (£110 million); the conversion of a power station at Santa Cruz from oil-firing to coal-firing by Northern Engineering Industries/Klockner (UK), valued at nearly $150 million (£82 million); development of the Prospera coal mine for supplying coal to this power station, to be carried out by Klockner (UK) and other British sub-contractors at a cost of some $70 million (£39 million); the provision of electronic equipment (with Ferranti the main supplier) valued at $130 million (£71 million) for naval corvettes and a training frigate; the construction by GEC of an urban rail transport system for Recife, valued at $70 million (£39 million); and orders worth $54 million (£30 million) for offshore equipment and services to be supplied to the Brazilian oil company Petrobras for development of the Campos Basin offshore oilfields.

Mr Biffen said that Britain was 'anxious to make a substantial contribution to Brazil's economic and industrial development'; the memorandum represented 'a big step forward and is one of the most important yet in the development of trade between Britain and Latin America as a whole'. [Brazil is Britain's largest market in Latin America and in 1980 received exports from Britain worth £218 million.] He said that building the ships for the Brazilian merchant navy would give a major boost to jobs in the British shipbuilding industry and the other projects would also mean significant

[1]Conversions have been calculated on the basis of £1 = $1·82.

new business for British firms. The financial backing negotiated was 'the biggest credit package ever arranged in the UK for a Latin American country'. For some years Britain had 'sought to re-establish itself in the markets of Latin America' and he believed the agreement would 'point the way to a resurgence of trade with this rapidly developing part of the world'.

British Construction Overseas

British firms associated with the construction industry earned more than £3,180 million overseas in the financial year 1980-81. Consulting engineers, architects and surveyors earned £500 million and building and civil engineering contractors earned £250 million, including £60 million remitted by overseas subsidiaries. Process engineering contractors specialising in the installation of industrial plant contributed a further £300 million and the balance came from exports of building materials and construction plant and machinery to the value of £2,130 million.

BUILDING AND CIVIL ENGINEERING

British contractors won new construction orders in overseas markets to the value of £1,360 million in 1980-81 (see table), according to a survey of 99 companies carried out by the Department of the Environment. This figure was virtually the same, at current prices, as in the two previous years (see p 326, 1980). The value of work done, however, has fallen for the last two financial years, reflecting the fall in new orders during the world-wide economic recession from the record levels attained in 1976-78. Work on hand at the end of March 1981 remained at the same level as in the previous year in current price terms, after taking account of downward revaluations of some contracts and excluding two large contracts in Iran on which work had ceased.

The Middle East remained the main market for British contractors, accounting for over 40 per cent of all work done abroad. The value of new contracts obtained in the Middle East, however, was less than in recent years, having fallen from half of the total in 1979-80 to about a third in 1980-81. The United Arab Emirates, where over £200 million worth of work was completed, remained the largest Middle Eastern source of orders for British firms, followed by Saudi Arabia, Oman and Sudan. The value of new orders obtained elsewhere in Asia and Africa rose, particularly in Nigeria, where orders were worth £158 million, more than double the 1979-80 figure, and in Kenya, Tanzania and Malaysia. In Australia, new contracts won rose from £57 million to £111 million in value and in Europe there was growth in orders in Spain and the Irish Republic.

The 99 companies covered in the survey reported work being done in 98 countries and new contracts being signed in 92 of these. The top 20 companies won over 90 per cent of new orders reported, while 18 companies won contracts abroad for the first time. Three companies won awards for export achievement (see p 176).

Details of some major contracts are described below. They are taken from an article on overseas construction earnings in *British business* for 16 October.

The Middle East

William Press and Son is undertaking a massive natural gas distribution project in Cairo on a £50 million contract. The project will supply two power stations and 160,000 customers in four suburbs of Cairo who at present use bottled gas. William Press has designed, supplied, constructed and

Construction Work Overseas
Years ended 31 March

£ million

Area	Value of contracts obtained		Value of work done		Value of work outstanding	
	1979-80*	1980-81†	1979-80*	1980-81†	1979-80*	1980-81†
European Community‡	27	39	34	37	29	31
Rest of Europe	82	81	83	105	162	139
Middle East in Asia	552	358	630	467	625	458
Middle East in Africa	100	54	61	66	142	123
Rest of Asia	89	132	83	113	161	177
Rest of Africa	203	348	234	199	198	344
America	274	236	167	204	199	228
Oceania	58	112	92	96	121	136
All countries	1,385	1,360	1,384	1,287	1,637	1,636

*Revised.
†Provisional.
‡Figures include Greece.

commissioned the complete system since November 1979. Associated consultancy services to Egypt's Petrogas organisation were provided by the British Gas Corporation.

The new international airport at Jeddah in Saudi Arabia is one of the most modern in the world and covers an area three times the size of London's Heathrow. Haden International has played a significant role in this project since 1974, working on contracts valued at about £40 million. These covered lighting installations, power distribution cabling, a telephone switchboard, public address facilities, alarm systems, a flight indicator and closed-circuit television monitors.

In Jordan the local subsidiary of John Laing International and General Enterprises Co has been awarded a joint £30 million contract for the completion of the terminal buildings of the Queen Alia airport near Amman, and for the royal pavilion and heavy civil engineering works associated with the runways and taxiways.

Al Qebeisi Mowlem has completed several contracts in the United Arab Emirates, including the Abu Dhabi National Insurance headquarters, a 210-room luxury hotel at Jebel Dhanna and £20 million worth of work for a petrochemical and industrial complex at Ruwais, including wharves, roads, drainage and water supplies.

The formal opening took place in March of the Kenana sugar project in Sudan, which Sir Alfred McAlpine and Son has been working on since 1975. Earlier stages included the construction of 19 km (12 miles) of irrigation canals, three pumping stations and concrete foundations for the sugar mill. The plant's boilers, fuelled by fibrous waste from sugar processing, will generate electricity for Sudan's national grid.

Africa

Stirling Civil Engineering Nigeria has recently completed the Jimetta bridge over the river Benue. The bridge has an overall length of 1,422 m (4,667 feet) in 29 spans and is 20 m (66 feet) wide with a deck constructed of pre-cast prestressed beams. This contract was worth £25 million; the Stirling International group has won other large contracts in Nigeria, notably one of £90 million for road construction, and one valued at £25 million for the new Dadin Kowa dam for hydro-electric and irrigation purposes. Wimpey (Nigeria) has won a £24 million contract for the construction of a metallurgical training centre for the huge steelworks complex at Ajeokuta in Kwara State, which is for the Nigerian Steel Development Authority.

In Zimbabwe, Balfour Beatty Power Construction has secured a contract valued at £12·2 million from the National Railways of Zimbabwe, against competition from European, Japanese and American companies, for works associated with the electrification of the railway line from Dabuka (Gwelo) to Salisbury.

A Mowlem group project in east Africa is a £16·4 million contract to build a paper and pulp mill complex in the highlands of south-west Tanzania at Mufindi. In addition to the mill, there will be 24 ancillary buildings, including offices, laboratories, a field storage unit, a maintenance shop, a fire station, and effluent treatment and water supply works.

Kier International won £20 million worth of contracts in January 1981 for new roads in Kenya and Lesotho. One of these, for £15·6 million, is to construct in three years 55 km (34 miles) of road on the eastern slopes of Mount Kenya, including 10 new bridges.

Rest of the World

Work on the new Hall of Justice in Port of Spain, Trinidad, is being carried out by Higgs and Hill under a £20 million contract for a development company acting on behalf of the Government of Trinidad and Tobago. The building, which will occupy over 22,000 sq m (about 237,000 sq feet), comprises a basement and four storeys with mezzanines at first-floor level. It will contain vaults, cells, a library, 16 courts, a court hall, judges' chambers, offices, conference rooms, a convocation hall seating 500 people, and a cafeteria seating 300. Standby electricity generators and water storage tanks are being provided, and the main construction will consist of an earthquake-resistant, reinforced concrete frame designed to the California code, with shear walls extending the full height of the building.

Bernard Sunley and Sons has been awarded a contract worth 37 million Barbados dollars (about £9 million) by the Government of Barbados for a village project comprising over 300 hotel bedrooms in numerous blocks over a 12 hectare (30 acre) site on the St James coast.

In the spring of 1980 the Mahaweli authority of the Government of Sri Lanka awarded Balfour Beatty Construction and Edmund Nuttal joint contracts totalling £64 million for the construction of a hydro-electric project. The site is located at Victoria Falls, near Kandy, and the contracts are for the construction of a 118 m (390 feet) high double curvature concrete arch dam, with tunnels, intake shafts and a surge chamber 23 m (75 feet) in diameter and 190 m (620 feet) deep.

In Pakistan, Cementation International has won a £40 million contract for the Aga Khan Hospital and Medical College in Karachi. This is to be a high-technology complex covering 35 hectares (86 acres) and comprising a 721-bed hospital and teaching centre capable of training 100 doctors and 110 nurses each year.

THE CONSULTING PROFESSIONS

Consulting engineers, architects and surveyors maintained their contribution to Britain's overseas earnings during 1980. The three professional associations concerned reported on British design work overseas in an article in *British business* for 21 August.

Consulting Engineers

Members of Britain's Association of Consulting Engineers were responsible for the design of overseas projects worth £38,800 million in 1980, compared with £36,000 million the year before (see p 327, 1980). The net contribution to Britain's overseas earnings was £400 million. One

member of the Association, L. G. Mouchel, won a Queen's Award for export achievement (see p 176), bringing the total number of awards won by members to 21. Some of the projects in hand during 1980 are described below.

The Egyptian Government signed a formal trade agreement with Britain during the year, commissioning the £500 million Cairo sewerage plan, believed to be the largest project of its kind in the world. The work includes sewage treatment plants, improvements to existing services, and extensions to serve newly populated areas, the population of Cairo having trebled since 1947. The project is being undertaken as a joint venture led by Binnie and Partners and John Taylor and Sons.

In Saudi Arabia an ingenious water supply system has been designed and is being installed under the supervision of Watson Hawksley to meet the needs of the resident population of the holy city of Mecca and the increasing numbers of pilgrims. The project, situated in a remote desert region, will bring water from distant wellfields to an underground reservoir in the city.

In Mali, the Philippines and Sudan, field trials are being conducted under the supervision of Sir William Halcrow and Partners into the practicality of harnessing solar energy; small-scale solar-powered pumping stations have been built to irrigate farms in remote areas.

British consulting engineers have been engaged in the design and supervision of construction of a number of large-scale bridges. Of recent note is a planned suspension bridge, with a main span of 608 m (2,000 feet), over the Panama Canal. The design is by Freeman Fox and Partners, who were responsible for the design of the Humber Bridge, which has the longest single span in the world (see pp 238-9).

Architects

Members of the Royal Institute of British Architects are engaged in projects around the world.

Abbey and Hanson Rowe International, in association with Nabil Fanous and Basem Shibabi, has been engaged in the final design for the government headquarters of the eastern region in Dammam, Saudi Arabia. The site of 7·3 hectares (18 acres) will contain a secretariat building, a civic reception foyer with a banquet suite for 1,000 people, a reception hall, a conference centre, the regional council chamber and the regional library.

AES International Building Consultants have provided multi-disciplinary services for the building of a 11,050 sq m (124,000 sq feet) warehouse complex for Marks and Spencer (France) SA. The project includes two main storage areas, office accommodation and associated service roads, parking areas and landscaping.

Atkins Sheppard Fidler International has completed the design of two major projects for the Algerian Ministry of Higher Education and Scientific Research, comprising construction drawings for an 8,000-student university with halls of residence for 4,000. The traditional north African architectural elements of courtyard and arcade giving both shade and privacy have been utilised. The second project is an 800-bed teaching hospital for the town of Tilimsen.

John S. Bonnington Partnership has successfully participated in two limited competitions, one for the design of a new main centre for the Ministry of Education in Doha, Qatar, the other for the design of a new computer centre for the Kuwait Oil Co in Ahmad.

The newly opened headquarters for the Banco Espirito Santo e Comercial de Lisboa in Lisbon has been designed by Building Design Partnership in collaboration with Gefel, and is situated in one of the main areas of the city.

In Mauritius, Fry Drew Knight Creamer has recently completed three projects – the government centre, the registrar general building and the Institute of Mauritian, Oriental and African Studies. The firm also designed the international airport at Yundum, The Gambia, and the new Gambia College at Brikama, a residential project for 300 students.

The Hammet Rowe Norton Group, project manager for the World Bank population control programme for Bangladesh, is currently engaged in the implementation of a second project to further the aims of the 1979 master plan.

Robert Matthew, Johnson-Marshall and Partners are providing architectural services for the new Castle Peak B power station in Hong Kong which is to be built alongside the A station currently under construction. The project entails preparing an environmental report on visual and landscape aspects for submission to the Hong Kong Government.

Norman and Dawbarn have completed the master plan for the development of Chancellor College, one of the campuses of the University of Malawi. The expansion programme for the university's college of agriculture, its engineering department, and staff and student housing has now been completed, and building work is in progress on the designs for a faculty of humanities and a multi-purpose 'great hall'.

Renton Howard Wood Levin International was chosen after an international competition as architects for the Syrian national theatre and opera house to be built in Damascus for the Government. The design is based upon a series of squares, a recurring geometric feature in Arabic architecture. The size of the stage and other facilities provided in the main auditorium are comparable with those of the major European opera houses.

Surveyors

Members of the Royal Institution of Chartered Surveyors continue to extend both the range of their services and the number of countries in which they are offered.

Chartered land surveyors have been involved in numerous mapping projects that are a prerequisite to development in many parts of the world. One such project is being undertaken in Guyana to update the country's mapping of its irrigation channels, creeks and canals.

Commissions in the Middle East have included an aerial survey of the southern region of Oman to identify mineral deposits; the establishment of

survey control for minerals exploration in Saudi Arabia; the detailed survey for the new runway at Kuwait airport; surveys for the development of a main drainage system in Sana'a, Yemen Arab Republic; pipeline surveys in Saudi Arabia; and railway surveys in Iraq.

There has been increased quantity surveying activity in Jordan over the past year. One British firm is providing full pre- and post-contract services for the construction of the Amman international fairground, a multi-million-pound project comprising exhibition, conference and administrative facilities on a 45 hectare (110 acre) site. Similar services are being supplied by another firm for the development of marketing centres; the same firm has also been involved at the pre-contract stage in the development of a £20 million tourist centre.

Chartered quantity surveyors have been involved in numerous projects in Saudi Arabia, ranging from a £43 million cancer therapy unit to defence installations valued at £40 million, housing projects in Riyadh and Dhahran, eight large-scale residential developments, a 350-bed luxury hotel and a new VIP building at Riyadh airport. Pre-contract services have been provided on an international school, the Riyadh chamber of commerce headquarters building, a civic centre for the eastern region and a new building for the foreign affairs ministry.

In Egypt a British firm has been appointed as quantity surveyors for a 26-storey building in Cairo for Bank Misr, a £32 million development.

Nigerian commissions have included cost and contract advice for the construction of a dam at Jebba; pre-contract services for factories, warehousing and offices for Yamaha motorcycles in Lagos and for an industrial development in Port Harcourt; full quantity survey services for a new teaching hospital at Maiduguri; and cost feasibility studies for health clinics. In addition, chartered quantity surveyors are acting as project managers for 23,000 sq m (250,000 sq feet) of warehousing, a distribution depot and extensions to a car assembly plant for a European car manufacturer.

In France, quantity surveyors have been appointed to provide cost control and project management services on office buildings in and around Paris, an international bank on the Champs-Elysées and seven warehouse projects in the Paris suburbs. They have also been retained as cost consultants for projects involving the major renovation of apartment buildings, and as consultants for feasibility studies for French clients undertaking developments in France and the Middle East.

Involvement in the oil industry has included the provision of services for the construction of production platforms (Statfjord B and C) in Norway.

In North America, quantity surveyors have been appointed as project managers for the complete renovation and refurbishment of major commercial office blocks in New York, and are providing a cost monitoring service to financial institutions engaged in investment and lending operations in the United States and Canada. Commissions have included the project management for the development of a major sports and residential complex in Florida, the international promotion and marketing of the Philadelphia free zone industrial park, and advising on the long-term funding of a 9,000 sq m (96,800 sq feet) industrial building which is being developed outside Boston.

The demand for feasibility studies, valuations, and letting and management services is on the increase as local clients become aware that professional advice can both protect and increase the performance of investment in sophisticated buildings and development schemes.

Oil and Gas

The Secretary of State for Energy, Mr Nigel Lawson, has outlined proposals for the transfer to the private sector of the offshore oil-producing business of the British National Oil Corporation (BNOC), with the Government retaining a substantial minority stake, and of the offshore oil interests of the British Gas Corporation. This will form the largest programme of 'privatisation' to be set before Parliament and is designed, with related measures, to increase competition in the oil and gas industries. BNOC will continue to own its oil-trading business, with the right to buy up to 51 per cent of all United Kingdom North Sea oil, whichever company produces it.

Details of the Government's plans were given by Mr Lawson in reply to a parliamentary question on 19 October (*Hansard*, Vol 10, No 154, col 21). Mr Lawson began by referring to a direction he had issued earlier in October under the Gas Act 1972 instructing the British Gas Corporation to dispose of its stake in the Wytch Farm (Dorset) oilfield (Britain's largest onshore oilfield). He said that this should be seen in the context of the Government's plans for privatisation and competition in the oil and gas industries. First, the Government proposed to introduce legislation to allow the transfer of the entire oil-producing business of the British National Oil Corporation to the private sector, with the Government retaining only a minority stake; the Corporation's trading operations would remain wholly state-owned. Secondly, the Government would seek powers to privatise the British Gas Corporation's substantial offshore oil business. These powers would also enable the Corporation 'to be required to dispose of its showrooms' (the 900 gas showrooms in Britain sell a wide range of domestic gas appliances, provide information on servicing and installation, and receive payment from customers of their gas bills). As the Government had made clear, it was essential that safety standards were fully maintained and this would require complex safety legislation for which there was unlikely to be time in the forthcoming parliamentary session. However, the Government remained 'fully committed to breaking this monopoly as soon as practicable'. Thirdly, the Government intended to

introduce measures 'to abolish the Gas Corporation's unique statutory rights over both the purchase of gas and its sale to industry in particular' (the Corporation has the right to purchase all natural gas produced in the United Kingdom Continental Shelf). These had 'acted as a serious disincentive to the exploration and development of gas supplies on the United Kingdom Continental Shelf' with the result that British industry had not obtained all the gas it needed. The measures, which would include effective private access to the Corporation's pipeline system, would 'for the first time introduce real competition into the market for gas'.

Mr Lawson said that substantial sums of money were involved and he believed that the measures represented 'the biggest programme of privatisation to come before Parliament'. The measures would also introduce 'much-needed and long-overdue competition' where it mattered most. The proposals would be 'good for British industry, for the successful development of our oil and gas industries and, above all, for the nation'.

[The British National Oil Corporation's share of oil production is some 110,000 barrels a day (1 barrel = 0·135 tonne). It is the operator for the Thistle and Beatrice fields, and has interests in the Brae, Dunlin, Hutton, Murchison (UK), Ninian and Statfjord (UK) oilfields and in the Viking gasfield (for a map showing Britain's oilfields and gasfields see p 145 and for information on the Corporation's report for 1980 see pp 147-8). The Corporation is an oil trader on a large scale, mainly by virtue of its right, through participation agreements with other companies, to purchase 51 per cent of most of the oil produced in the United Kingdom Continental Shelf. The British Gas Corporation has a stake in six commercial offshore oilfields: Beryl, Beryl B, Fulmar, Hutton, North-West Hutton and Montrose. For further information on the operations of the corporations see COI reference pamphlet *Britain's Energy Resources*, No 75/RP/80.]

National Freight Company and Management Buy-outs

The Government has agreed terms for the sale of the National Freight Company to a consortium of the company's own managers and other employees. Purchases of businesses by their staff – often referred to as 'management buy-outs', since it is usually senior staff who are involved – represent a growing trend. The Government welcomes it as providing opportunities for the release of managerial-entrepreneurial talent.

Sale of National Freight Company

Agreement about the terms on which the Government's shares in the National Freight Company are to be offered to a consortium of the company's managers and employees was announced on 19 October in a parliamentary answer by the Secretary of State for Transport, Mr David Howell (*Hansard*, Vol 10, No 158, written answers, col 84). [The company was a public corporation until its change of status on 1 October 1980 (see pp 383-85, 1979).] Represented by the independent merchant bank, Schroder Wagg, the Government has been negotiating with the consortium since June of this year. The bank has recommended agreement to the sale at a price of £53·5 million on condition that the sum is raised by the consortium by the end of March 1982. After allowing for the funding from the proceeds of the sale of the deficiencies in the company's pension schemes – as provided for in the Act – the net payment to the Government will be about £6·5 million.

The consortium is now proceeding with plans to raise the purchase sum with a view to completion in January 1982. About £50 million in loans and equity is being provided by a group of major British banks led by Barclays Merchant Bank. The banks will also provide the company with working capital. The employees and pensioners of the National Freight Company will be expected to put up between £3 million and £4·5 million, depending on which of two 'financing packages' they negotiate with the banks. Either package will give the consortium a majority shareholding in the new pubic limited company, which is expected to be known as the National Freight Consortium.

Addressing the Road Haulage Association annual conference at Bournemouth on 19 October, Mr Howell said he was glad that the Government had 'found this way of putting the National Freight Company into the private sector with such a commitment from the management to its future success'.

Management Buy-outs

A management buy-out may be generally defined as the purchase of a business from its owners by the managing staff of the business. Most of the funding for the purchase is provided by financial institutions which are prepared to take a relatively small part of the equity in the business, often leaving a controlling shareholding to the managers. Buy-outs are not new, but interest in them has grown considerably in the last two years and larger companies than before are changing ownership in this way. The principal financial institution behind the majority of small- or medium-sized buy-outs has been the Industrial and Commercial Finance Corporation, which is owned by the clearing banks and the Bank of England. While the Corporation assisted with only 43 management buy-outs in the 10 years to 1976-77, it participated in 30 in 1977-79, 49 in 1979-80 and 69 in 1980-81.

A number of different situations may give rise to a management buy-out. These include cases where the activity of a subsidiary company no longer fits in with the plans of its parent; where a division of a company is considered not to be adequately profitable; where an earlier acquisition has contained unwanted subsidiaries; where a parent company needs cash; where the shareholders in a private company wish to sell out; where a company in liquidation is purchased from

the receiver; or where – as in the case of the National Freight Company – the Government wishes to transfer a state-owned undertaking to the private sector.

The world-wide industrial recession of the last two years has been one factor which has led some groups of companies to review their operations and divest themselves of subsidiaries which are unprofitable or do not fit in well with the activities of the group. Another factor behind buy-outs has been the encouragement provided by the Government.

Government Measures

The Companies Act 1981 contains specific measures to assist management buy-outs, by amending restrictions on the provision by a company of financial assistance for the purchase of its own shares. In another technical area, discussions are taking place on tax provisions relating to share options, share incentives and relief for interest on loans made for certain share purchases.

More generally, it is government policy to encourage competitive and entrepreneurial activity in the economy. In July 1980 the then Secretary of State for Trade, Mr John Nott, made a statement on competition policy in which he suggested that 'de-merging' might be a profitable course of action for certain groups of companies (see pp 219-20, 1980). More recently, on 29 October 1981, Mr John McGregor, Parliamentary Under-Secretary of State for Industry, made a speech at a conference on management buy-outs in London. He said that they epitomised one part of the Government's overall approach to economic policy. They were 'a way of providing greater incentive to managers to take entrepreneurial risks with the prospect of a substantial reward from their stake in the business and a way of providing a better framework for the long-term development of that business'. This sort of 'improvement in the balance of reward and risk' was seen by the Government as 'essential to retaining a prosperous industrial and commercial base to the economy', he said. At the same time Mr McGregor paid tribute to the financial community for its willingness to develop new forms of financing and for helping to publicise the opportunities for management buy-outs.

Marine Oil Pollution

The Royal Commission on Environmental Pollution has concluded that oil pollution poses no serious long-term threat to the marine environment. However, in view of the short-term damage which it might cause, the Commission recommends changes in the organisational arrangements for dealing with major incidents.

In its eighth report,[1] published on 21 October, the Royal Commission puts forward as its chief general conclusion that oil pollution entails no permanent threat to the marine environment, which eventually recovers from even the most serious oil pollution incidents. The Commission estimates that some 60 per cent of oil reaching the sea consists of discharges from the land – for example, by means of effluents in rivers or motor vehicle exhausts into the air. Tanker operations, either accidents or deliberate discharges, account for about 20 per cent, while the remaining 20 per cent appears to come largely from natural see pages and from discharges resulting from general shipping operations.

The report says that there is no clear evidence that oil spills have significantly affected populations of sea birds or other marine species, nor are there grounds for concern that oil may contribute a chronic threat to the marine ecosystem or, indirectly, a threat to man. The Commission concludes that the threat of long-term and perhaps irreversible damage to the marine environment by oil pollution is insubstantial and possibly less serious than that posed by other potential sources of damage such as pollution by heavy metals or radioactivity.

Nevertheless, the Commission says, the short-term consequences are serious, involving, on a local scale, pollution of beaches which may deprive the public of amenity and cause serious economic damage to tourism in coastal resorts, as well as to fisheries, and damage to sea birds, which may not endanger species but is offensive in humanitarian terms.

Land-based Sources of Oil

The Commission is satisfied that land-based oil as a source of pollution does not constitute a serious problem, pointing out that the environmental consequences of oil discharged from refineries, for example, are local. While broadly satisfied with the controls applied to land-based discharges, the Commission stresses the importance of implementing Part II of the Control of Pollution Act 1974 (see p 284, 1974).

Offshore Oil Development

The Commission acknowledges that both exploration and production offshore must result in some operational discharges of oil, but concludes that these do not give grounds for concern. The risks of pollution from accidental discharge, particularly 'blow-outs', will diminish as attention is paid to the safety of offshore oil operations. The Commission does, however, consider that there may be sites of exceptional environmental importance around the coast where exploration and production should not be permitted. It recommends that arrangements for consultation should be devised so that environmentally sensitive areas are identified before licences for exploration are awarded. In the event of a disagreement between the Government and organisations concerned, the arguments should be made public, and where oil production is planned within, say, 50 km (31 miles) of the coast, licensees should be required to provide environmental impact studies.

Contingency arrangements for dealing with oil spills as a result of offshore oil developments are

[1] *Royal Commission on Environmental Pollution. Eighth Report: Oil Pollution of the Sea.* Cmnd 8358. HMSO, £10·25. ISBN 0 10 183580 9*.

in general satisfactory, although more thought should be given to the problems which could arise if spills were to occur at sites close to the shore.

Oil from Tanker Accidents

Tanker accidents, the report says, are widely and rightly regarded as posing the gravest threat of oil pollution. The problems of reaching international agreements and of enforcing such agreements mean that tankers which fall short of internationally agreed standards are still in service. The report examines the possible conflict of interest arising from the role of the Department of Trade as the British representative in international negotiations on shipping standards; a department concerned to promote the health of the shipping industry may be inhibited from representing environmental interests at the same time. Although the Commission considers that Britain, in the exercise of its influential role in international negotiations, has not always treated environmental concerns with sufficient urgency, it concludes that the Department of Trade is now well aware of, and sensitive to, environmental issues. The Commission is not, however, satisfied that the Department and environmental interests are sufficiently aware of each other's problems, and recommends that there should be arrangements for direct and regular consultation between appropriate bodies (such as the Nature Conservancy Council and the Royal Society for the Protection of Birds) and the Department of Trade on policies that affect their common interests.

On the problem of enforcing internationally agreed standards for shipping safety and pollution prevention, the Commission considers there is scope for improved enforcement of standards through regional co-operation, on a European basis, to tackle the problem of sub-standard tankers, especially through the exercise of port state powers (that is, powers under which states can take direct action in respect of ships flying foreign flags which enter their ports), and urges that Britain should play a leading part in bringing this about.

The Commission recommends that the Government should take immediate steps to extend the limits of British territorial waters to 12 miles (19 km). It points out that more than 100 states already have a limit of 12 miles or more, and such a limit would extend the area in which the authorities could intervene in a shipping incident which poses a pollution threat. The report expresses concern about the serious inadequacy of the state of hydrographic survey of British waters in relation to the needs of large tankers and other large vessels and recommends that additional resources be applied to survey work as a matter of urgency.

The Commission has doubts about whether the arrangements for intervention to deal with a casualty at sea that threatens serious pollution provide a sufficient state of readiness to cope with possible emergencies, and recommends further study by the Department of Trade. It favours the use of 'sheltered havens' for damaged tankers, but considers that, to overcome local and port authorities' reluctance to allow them to be used, the Government should provide compensation if pollution occurs.

Discharges from Vessels During Operations

Discharges of oil during routine operations involving tankers and other vessels, are, the report says, a more important source of marine oil pollution than tanker accidents and are a major cause of coastal pollution and sea-bird mortality. Prevention and control of such discharges calls for international agreement. Although round-the-clock aerial surveillance would not at present be cost-effective, the matter should be kept under review and should be considered as one aspect of co-operative arrangements between Western European states. An investigation should be undertaken of the disparity of fines imposed for comparable offences by British and foreign ships.

Dealing with Oil Spills

Expertise is needed to deal effectively with spills, both at sea and on shore, but the infrequency of major incidents rules out a large, full-time organisation or the allocation of resources in anticipation of a disaster of *Amoco Cadiz* proportions. The Commission considers that there has been a misplaced emphasis on the effectiveness of dispersants, and recommends that policy regarding the use of dispersants be thoroughly reviewed to define the limitations of the technique and the conditions under which it is likely to prove worthwhile.

The Commission concludes that efficient action to deal with a major spill is hindered by the division of responsibilities between the Department of Trade and local authorities. Present arrangements will not ensure the rapid and expert action that is essential to deal with a major spill; the response should be conducted as a single, co-ordinated operation, embracing action at sea, in in-shore waters and on land. Scarce expertise in the techniques for dealing with large spills can only be supplied centrally, on a national basis. The Commission therefore proposes that for major oil pollution incidents the Marine Pollution Control Unit be strengthened, remaining within the Department of Trade but answerable to the Secretaries of State for the Environment, Scotland or Wales for action on shore, with statutory powers to allow the Unit to take charge of operations on shore. A corollary of these proposals is that the Government should meet the exceptional costs of incidents in which it becomes involved. The Unit would be closely involved with the formulation of local authorities' contingency plans and should have a major role in the formulation and management of government research in the field.

The problem of disposal of oily wastes can only be satisfactorily resolved, the report says, by close and effective co-operation between local authorities, central government and the oil industry. Local authorities should identify the temporary sites needed in the immediate aftermath of an incident; central government should assume responsibility for identifying and financing permanent disposal sites; and the oil industry should as far as reasonably possible assume responsibility for dealing with substantially liquid waste.

Shorter Notes

BUSINESS TEAM TO WORK ON URBAN PROBLEMS

Following the urban disturbances on Merseyside during the summer, and his subsequent visit there (see pp 241-4), the Secretary of State for the Environment, Mr Michael Heseltine, has given details of a scheme to involve managers from financial institutions in a joint study, with the Government, of urban problems. A team of 25 managers has been seconded from companies (including banks, insurance companies, building societies and pension funds) to work with the Inner Cities Directorate of the Department of the Environment for a year in developing new approaches and ideas for urban regeneration.

The managers will go to the United States to study how the private and public sectors in major American cities have, through working in partnership on urban renewal schemes, revitalised many run-down inner-city areas. On their return, groups of managers will each focus on particular issues that have an important inner-city dimension – for example, access to finance for small businesses, the operation of current inner area programmes (particularly as they concern training and employment), prospects for new forms of joint venture between public and private sectors, and financial mechanisms relating to the improvement of the housing stock and new forms of tenure.

Source: Department of the Environment press notice, 28.10.81.

INDUSTRIAL DEVELOPMENT IN NORTHERN IRELAND

A government document published in October outlines industrial development policy in Northern Ireland.[1] Within the general framework of the Government's economic and industrial policies, which place emphasis on reducing inflation and increasing the level of investment in economically disadvantaged areas, the policies adopted in Northern Ireland are designed to encourage the establishment and development of small businesses both in manufacturing and services; to encourage established industry to adapt more rapidly to a changing industrial and commercial environment; and to attract new overseas businesses to Northern Ireland. The Government also seeks to achieve a geographical distribution of job opportunities which reflects local needs within the Province.

In allocating priorities between the various areas of job provision the Government relies to a significant extent but not exclusively on the criterion of cost per direct job promoted in the past, the only indicator currently available to measure the relative costs of jobs. This measure suggests that jobs in the small firms sector and in established indigenous industry are the cheapest to promote. It is not thought that these two categories alone, however, can generate a sufficient flow of new job opportunities of the right kinds. There will therefore remain a need for new overseas investment. It should not be thought, however, the document says, that overseas projects will receive preferential treatment. Research is currently in hand to establish a more appropriate measure (cost per man year of employment) which will take into account the expected duration of jobs in a project and become the yardstick for comparison of value for money as between different projects.

The document outlines the arrangements in Northern Ireland for the promotion of industrial development (see pp 133-4, 1980, and p 308). With regard to the selection of inward investment projects the document says that there will be special emphasis on advanced technologies such as microelectronics and information technology (and particularly on specialised semi-conductors, office equipment, electronic type-setting and specific software products) and on bio-medical engineering and industrial automation and instrumentation. The food processing industry is another sector suitable for special emphasis.

The document also notes a move away from the traditional policy of concentration on the promotion of manufacturing rather than service sector employment.

The 1980-81 report of the Northern Ireland Department of Commerce on industrial development assistance, published in July,[1] notes that unfavourable economic conditions had made the year a difficult one for industrial development generally. The number of jobs promoted as a result of investment agreements negotiated by the Department of Commerce and the Northern Ireland Development Agency with local and overseas companies fell to 3,305, the lowest figure for five years and less than half the total for 1979-80. Financial incentives to help to provide new employment opportunities and to diversify the industrial base were considerably improved in 1977. Industrial development grants and loans totalled £81 million in 1980-81, compared with only £22 million in 1976-77.

CABLE AND WIRELESS

Arrangements for the sale of just under 50 per cent of the Government's shares in Cable and Wireless (which provides telecommunications activities in some 30 countries overseas on a franchise basis on behalf of their governments) were announced by the Minister for Industry and Information Technology, Mr Kenneth Baker, in a parliamentary reply on 21 October. Provisions for the disposal were contained in the British Telecommunications Act 1981 (see pp 14-16 and 117).

Mr Baker said that at the end of October some 133·3 million ordinary shares in Cable and Wire-

[1] *Industrial Development in Northern Ireland. A Framework for Action.* HMSO, Belfast, £3·50. ISBN 0 337 06134 3.

[1] *Industries Development Assistance. Capital Grants and Loans.* Report by the Department of Commerce for the year ended 31 March 1981. HMSO, Belfast.

less Public Limited Company would be offered for sale, of which 70 million would be new shares. The Government was making available a maximum of 285,833 shares (about 0·11 per cent of the issued share capital) for the benefit of the company's employees under the employee share schemes. In addition, preferential consideration would be given to applications received from employees of the company for up to a total of 13·5 million ordinary shares, while the Government had also agreed to transfer over a period of not less than five years a maximum of approximately 0·53 per cent of issued share capital to the trustees of the employee share schemes. Following the offer for sale and after deducting shares committed to the employee share schemes, the Government would have 50 per cent plus one share of the issued share capital of Cable and Wireless.

Gross revenues from the sale were expected to be about £224 million, of which £35 million (representing the subscription for the new shares) would be paid to the company. After allowing for other costs, net revenues were expected to amount to some £183 million. In a letter to the company's chairman, the Government had indicated that it did not intend to use its rights as a shareholder to intervene in the company's commercial decisions and did not expect to exercise its vote at general meetings in opposition to resolutions supported by a majority of directors, although it retained the right to do so.

Source: *Hansard*, Vol 10, No 158, written answers, cols 141-2.

BIOTECHNOLOGY

The Science and Engineering Research Council has established a special Directorate for Biotechnology, which will be responsible for stimulating and co-ordinating a broad spectrum of support for research and training across all the science and engineering subjects involved in biotechnology. Current support from the Council for biotechnology projects amounts to more than £1 million a year and is expected to rise to more than £2 million by 1985. In collaboration with the Department of Industry, the Directorate will develop links with industrial companies in the expanding field of biotechnology and foster collaborative projects involving the public and private sectors. The Directorate will build on the foundations already laid by the Council's specialist panel on biotechnology, which has defined the essential elements required for a major concerted programme involving both industrial and academic partners. A further important function will be to maintain and enhance the liaison and co-operation between the Council and the other research councils and government departments active in the field. Broadly speaking, its interests and those of the Department of Industry are in the areas of fermentation, enzyme and immobilised cell technology, separation and concentration technology, product processing, waste product and by-product utilisation and technologies such as recombinant DNA.

British scientists have made many fundamental discoveries in the biological sciences, particularly in molecular biology, which have received international acclaim (in the form of Nobel Prizes – see, for example, p 329, 1980, and *British Winners of Nobel Prizes for Science*, COI, No 99/FSB/81). The Council will be looking for evidence, in the research proposals submitted to it, of the likelihood of the work providing major improvements in technology, satisfying real needs and, where possible, leading to useful products. At the same time it wishes to encourage academic workers to submit applications for support that involve long-range, speculative proposals which, if successful, could have far-reaching implications.

Source: Science and Engineering Research Council press notice, 30.10.81.

EFFECTS OF EXCHANGE CONTROL ABOLITION

In late 1979 Britain abolished controls on outflows of funds by British residents and on borrowing in sterling by overseas residents (see p 162, 1980).[1] Articles published recently in the Treasury's *Economic Progress Report* and in the *Bank of England Quarterly Bulletin* examine some of the consequences of abolition, while noting that its effects on capital flows cannot be quantified with any precision because of the importance of other influences including movements in interest and exchange rates.

With the removal of controls, portfolio investment overseas was expected to increase in two ways: first, through a temporary stock adjustment which, though once-for-all, could be spread over a long period as the overseas component of portfolios was raised to desired levels; and, secondly, through a higher rate of flow – expected to continue even after the initial adjustment was complete – as an increased proportion of new savings was invested overseas. Net portfolio investment overseas in both the second half of 1980 and the first half of 1981 was at much higher levels than in the immediate past. From £617 million in the second half of 1979 and £848 million in the first half of 1980 the net outflow rose to £2,110 million in the second half of 1980 and to £2,470 million in the first half of 1981. There are two likely explanations for the failure of flows to rise by much in the first six months after abolition. First, financial institutions might have needed time to build up expertise in new areas before committing an increased proportion of funds overseas. Secondly, the high level of British

[1]Under exchange controls, introduced on the outbreak of the second world war in order to conserve gold and foreign currency for the war effort, government permission was required to obtain foreign currency for investment overseas. Consent was generally given more readily in the case of direct investment (for example, to set up plants overseas) than in the case of portfolio investment (typically, the purchase of foreign securities). Also, there were restrictions on the holding by British residents of foreign currency assets, including bank deposits, and on lending in sterling to overseas residents.

interest rates and the strength of sterling immediately after abolition might have made overseas assets relatively unattractive.

There is no evidence of change in the flow of direct investment overseas since abolition. This is as might have been expected because exchange controls, which were not designed to restrict investment in profitable projects overseas, were less stringent on direct than on portfolio investment.

Unlike portfolio investments overseas, which are made largely by the financial sector, foreign currency bank deposits in Britain are held mainly by British industrial and commercial companies. The marked growth in these deposits seems to have been partly because of the ending of exchange controls, although relative interest rates and the outlook for exchange rates are also likely to have played a part. As with portfolio investment, the major changes have occurred comparatively recently: between the fourth quarter of 1980 and the second quarter of 1981 industrial and commercial companies' foreign currency bank deposits rose by 62 per cent[1] while their sterling deposits increased by only 11 per cent.

Overseas residents are now allowed to borrow in sterling by issuing bonds on the London market. Since July 1980 there have been eight such 'bulldog' issues, totalling £405 million.

In future it seems likely that, once Britain's oil production starts to fall, the yield from an increased stock of overseas assets will help to offset the effects of a decline in oil revenues on the balance of payments and national income. Another beneficial effect of abolition is the removal of a long-standing barrier to the efficient working of financial markets. However, the magnitude of future capital flows cannot be assessed from the performance in the two years that have passed since exchange controls were abolished.

Sources: *Economic Progress Report*, No 138, October 1981. *Bank of England Quarterly Bulletin*, September 1981. *Financial Statistics*, No 234, October 1981.

[1]As foreign currency deposits are expressed in terms of the sterling equivalent, some of the increase was attributable to the decline in sterling over this period. However, this is likely to have been of only minor importance as the fall in the effective exchange rate for sterling was only 2·4 per cent.

MacROBERT AWARD

The MacRobert Award (see pp 70-1, 1975) for 1981 has been presented to Lucas CAV for its Microjector miniaturised fuel injector, which has already received two other awards in 1981 – a Queen's Award for Technology (see p 177) and a Design Council award (see p 178). The MacRobert Award is the major award for engineering in Britain and is made by the Fellowship of Engineering (see p 132, 1976) for successful technological innovation which has contributed or will contribute to national prestige and prosperity.

The Microjector represents a new design concept and weighs only 52 grammes, one-quarter the weight of previous injectors. It has helped to expand the North American market for diesel-powered passenger cars. Among its advantages are that it reduces obnoxious exhaust emissions from diesel engines, lowers their noise, improves their performance and cuts their initial cost while maintaining fuel efficiency. Following the development of the device by Lucas CAV to a high standard of precision engineering in 1976-77, the Oldsmobile division of General Motors of the United States, the biggest automotive company in the world, placed an order in 1978 for an initial supply of more than 1 million Microjectors a year. In 1982 deliveries to General Motors from Lucas CAV plants in Britain and the United States are expected to reach 3 million. The Microjector has enabled General Motors' 1980 diesel passenger cars to meet stringent emission standards laid down by the United States Environmental Protection Agency.

Council House Sales

The Government has answered criticism by the House of Commons Environment Committee of its policy of selling council houses. In rejecting the Committee's arguments the Government points out that the policy of sales has been 'endorsed by more than half a million people who have either completed the purchase of a council dwelling under the present Government or have applied to do so'.

The Government's reply is contained in a White Paper published on 8 October.[1] It points out that in the first nine months following the introduction of the 'right to buy' provisions contained in the Housing Act 1980 (see pp 56-8, 1980) some 380,000 tenants in Great Britain applied to buy their homes. There can be no doubt, it says, that 'there is a substantial unsatisfied desire for home ownership amongst those council tenants who cannot afford to buy in the private sector and for whom the right to buy represents the only means whereby they can become home owners in the foreseeable future'. The Government believes that 'the scale of public demand is in itself a substantial vindication of the right to buy'.

The Loss of Re-lets

The Government rejects the Committee's contention that the House of Commons was given information that was less than accurate on the effect of council house sales on the amount of property available for re-letting ('re-lets'). The Government stands by its earlier conclusion that not many tenants who will exercise the right to buy would move away from their council homes if denied that right. Any estimate of the effect of sales on the annual number of re-lets must be extremely speculative. More important, the Government believes that the Committee has failed to set the issue of the loss of re-lets in the context of the whole range of government housing initiatives.

Types of Property Sold

The reply disputes that sales will be disproportionately of houses rather than flats and that sales of houses will tend towards the better quality properties in more attractive areas. It is clear, the Government says, that 'there is a widespread demand for lower-priced property, both in the private and public sectors. Local authorities . . . which have undertaken homesteading schemes[1] have found little difficulty in selling properties that are severely dilapidated or in some cases are complete wrecks.'

Local Authorities' Investment Resources

In the Government's view the discussion by the Committee of local authorities' investment resources is incomplete because it takes insufficient account of the potential for generating receipts (that is, income) from the sale of vacant or under-used land, and because the Committee too readily assumes that income from house sales need be wholly devoted to the replacement of housing stock by new building. The reply emphasises: 'The best use for receipts – whether new building, improvement, promotion of low-cost home ownership, or whatever – will be a matter for each local authority to decide in the light of its own assessment of the local housing situation.'

Housing for Special Groups and in Rural and Other Special Areas

The Government believes that the Committee fails to take adequate account of the strong desire of many tenants in these categories to buy their homes. There is every reason to believe that the elderly and those who live in rural areas share these aspirations as strongly as other groups of tenants.

Financial Effects on the Public Sector

The reply considers the difference of approach used between the Committee and the appraisal by the Department of the Environment.[2] The Government considers that the Committee has misconceived the purpose the appraisal was intended to serve and rejects the Committee's criticisms of the document. The reply refers to the memorandum of the Comptroller and Auditor General[3] on the appraisal, where it was described as 'a valuable and basically sound analysis of the assumptions that have to be made in order to

[1]*Council House Sales: The Government's Reply to the Second Report from the Environment Committee, Session 1980-81, HC366.* Cmnd 8377. HMSO, £1·90. ISBN 0 10 183770 4. For publication details of the report see p 312.

[1]These involve the sale of dilapidated homes for improvement by the purchaser.

[2]For publication details see p 57, 1980.

[3]An official appointed by the Crown but independent of the Government.

calculate the financial consequences of a typical council house sale', and which 'illustrates the wide range of calculations that can be made from varying assumptions based on different views of future trends in economic conditions, government policies and social behaviour'. The Comptroller went on to say that the appraisal 'does not purport to show whether the long-term result is more likely to be a gain or a loss to public funds: that is left to the judgment of the reader on the relative probability of the assumptions chosen'.

The Government endorses the view of the Committee that a definitive conclusion about the long-term financial effects of sales upon the public sector is impossible, and that even if long-term losses are likely to result from sales it does not necessarily mean that the sales are inadvisable.

Sales and the Redistribution of Wealth

The reply notes that what is achieved by council house sales is a transfer of assets from the public sector to private householders, most of whom could not otherwise have hoped for the opportunity to buy their homes. 'The spread of home ownership has been the single most important factor in extending wealth holding over the last 30 years, and the Government's policies will give that trend a fresh impetus.'

Labour Mobility

The Committee and the Government agree that mobility is greater among owner-occupiers than among council tenants, and, to the extent that council house sales increase owner-occupation, mobility will be increased. The Government disputes, however, that mobility will be decreased for the remaining tenants, and lists ten measures which it has taken to encourage mobility. These include measures in the 1980 Housing Act to help first-time buyers and to introduce shorthold tenancies, and the launching of the National Mobility Scheme (see pp 116-17).

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